
Balance gone
CANADA
USA
MEXICO

World Reorganization or Downfall,

and

The Remedy

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and

The Remedy

*A composite picture
of the causes of the present disequilibrium
in the world—Analyzing the extent of
war costs, losses, debts, reparations,
gold shortage and of the
resulting chaos,*

but,

with a Plan

for the

—Redistribution of Gold
—Revaluation of Gold
—Immediate Liquidation of War Debts
—A Full Covering of Currencies, and
—An International Coinage.

by
Peter L. Robertson
April 24th, 1932

"The welfare of the people
is the supreme law."

DEDICATED TO
HUMANITY

PREFACE

It would be difficult to think of anything more intriguing or interesting than the histories of the outstanding events, and of men, backward—backward—down through the ages to the beginning of recorded time. It is as difficult as a game of Chess to place true values on those outstanding and epochal events which mark the turning points in the affairs of men. Most of the historians choose to believe that the crucial turning points are the great battles, victories and defeats of the past; others, like poets, are more impressed with the influences of the cradle and the home, as the invisible forces which direct the currents of history;—it is not difficult to believe with them. Time does not permit us to analyze so well these slower changes, and we are disposed to evaluate the events by the amount of noise and shock we get from war and revolution, but they both have a common origin which may be traced back to the early beliefs, teachings, environment or hardships of childhood. All historians agree on one thing: that a true history of those events which stir human passions to great action and depths cannot be written until at least a century has passed, and the last vestige of those emotions which stirred us to action, and also those of our immediate

ancestors, are past and forgotten. This may be true of the last great conflict but there are, nevertheless, already evident a sufficient number of definite effects which stand out like the pinnacles of mountains, or the tops of monuments of those whom we have conscripted into history, as we fly over them. These are the tangible things which we can appraise already at a value which another century will add little to, and with the aid of statistics we have aimed to chart the extent to which humanity has been driven from its course by the events of seventeen years ago.

Possibly no subject has in the last century become so persistent and pressing with all who feel concerned for the welfare of their country and the world at large, as are the events now taking place. It is recognized on all hands that the definition we have formerly given the "ups and downs" of affairs, by cataloguing them under the title of "depression", now utterly fails to describe the present situation. Other depressions have responded buoyantly to any helpful remedy which has been applied on a large scale. In 1907 the elder Morgan turned the tide of events in a single day: Now we witness an enormous Refinancing Institution, organized to supply new sinews for business, unable to turn the tide definitely for the better. It seems clear that it would be better to approach this problem from another angle—with a new social mind and outlook—one that we were taught in our childhood, but had thought it did not apply to business.

Much of the material in this work was ready for the press early in January, and it is a matter of regret that it could not have been completed at that time. Marshalling the facts and statistics has taken much time, but they have widened the scope of our subject to such an extent that the loss of time appears to be justified, although leaving almost no time for revision. On all hands the most helpful attitude has been experienced, and those contributions are now gratefully acknowledged. The utterances and writings of public men have been freely used;—the data compiled have been gathered from the best available sources in the time at disposal, and in this connection mention should be made of recourse to the League of Nations Bulletins and to many works on statistics and records. Particular mention should be made of official data supplied by the Government Department of Statistics at Ottawa, the Department of Mines at Toronto, the Department of Commerce at Washington, and with particular reference to Mr. Grosvenor Jones of the Investment Division of the Department of Commerce at Washington. In his capacity as an American official Mr. Jones is under no obligation, of course, to supply data to a Canadian author, but he has done so as cheerfully as though it had been done for his own people, and he has tabulated, at a considerable expenditure of time, the missing details which have allowed of the completion of the Chart on Annuities in "War Debt Payments", without which it would have

been difficult to construct a fact-basis upon which to build. Acknowledgement is also gratefully made to all those others whose helpful co-operation has so greatly contributed in completing this work in time, so that it might be presented for study before the opening of the Reparations Conference in June.

THE AUTHOR.

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I

CONFIDENCE OUR MOST PRECIOUS POSSESSION

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The people are thoroughly baffled by the breakdown of an economic system which many believed had become immune to the ravages of financial reactions like those of the last century. In its inception finance was simple enough, but when barter and exchange were supplanted by an organized monetary system, with gold held in reserve at central points, paper money was issued against these reserves because of greater facility and safety;—then inflation surreptitiously crept in, because of an occasional insufficiency of Gold to fully cover the amount of paper moneys needed for the increased business offering, which this new medium had itself partly created. The rules were amended from time to time; the economic machine had a cam added here, and a gear there, to load it to capacity so as to perform these added functions in a world of expanding trade in which gold supplies did not expand as did trade. Less than a full 100% gold backing was adopted for paper currencies, and securities of a secondary character were substituted in the place of Gold. Some nations have run so low in their gold reserves, held as security for the paper issues, that the security has (*in the terminology of the Assay Office)* become "traces

of Gold"; *Many are in that exact position to-day*: Just what the position is the public are not being told: What is wanted is light—the cold truth, and nothing but the truth about our gold reserves, and about what paper is outstanding against these reserves. Let us avail ourselves of the means at hand to correct this position by a revaluation of gold, based on sound, tenable, economic principles, and get back to a sound basis in finance and currency. That is the way out, and if the nations involved in war debts and reparations join their forces in an international treaty to give it effect, there is nothing to prevent a correction at the source of the malady and completely within six months' time.

Manifestly, the people do not understand; that is the reason for these baffling public reactions which do not respond to psychological treatment as on former occasions. Their failure to understand produces doubt. Finance and credit are sensitive in the extreme, and doubts generate fear. With this comes a lack of confidence. The natural reaction to this is a refusal to buy, or take any risk; then in natural sequence comes the hoarding complex. We are well advanced in this phase even now,—what next? Partial or total paralysis of the economic body may follow, unless the disease is diagnosed with precision, and a reliable remedy applied. If we reach a complete breakdown, which Sir George Paish, the eminent British economist, predicts *as now overdue,* we have chaos—revolution—the overthrow of our basic order of society, and beyond that no one can see as yet. Our social and economic order has

worked rather well in the past century, on the whole, and we hesitate to venture into the "unknown", as history is not so reassuring as we would like on such ventures.

Those in positions of highest responsibility to-day can hardly be held accountable for the economic disaster and resultant gloom that has overtaken the world, as they are for the most part men of the post-war school. Human nature remains fairly constant through the ages, and steady, resourceful pilots are required for dangerous waters. Those leaders can scarcely hope to escape the responsibility of bringing about a recovery however, and the people cannot be thought unreasonable to expect a recovery.

What, then, is to be done?—what is the right and essential thing to do? Clearly it is to create sound reasons for the restoration of confidence. One good, workable idea is worth all the moralizing, groaning and croaking of all the speakers and writers on this matter. Many are wasting a lot of good ink in telling us why some part or other of the economic machine does not work, but make no offer to "fix it". If the paper currencies can be made payable *IN FULL IN GOLD,* and wide publicity is given that the national treasuries hold stated margins of gold FOR EVERY NOTE ISSUED, hoarding will cease: Hoarding feeds on doubts and lack of confidence only; remove these and it evaporates. Hoarded money produces no interest, but banked money does. No one hoards because they prefer to go without the interest, or the dividends, if the

savings are invested. Let the nations be so placed that their Chancelleries can truthfully announce to the world that they have a new gold and currency basis, more than able to cope with all our national and international demands, and the confidence necessary to open the closed shops and start the wheels of industry humming their classic tunes, will come overnight. Back on his job again on full time, the worker can be relied on to loosen up a fair portion of his earnings; the hoarder will disgorge his cash into the banks and industry; the merchant and the industrialist will greet the salesman with a warm greeting,—and a new era will dawn where only gloom has been.

II

GOLD—THE BLOODSTREAM OF THE NATIONS

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Gold may be likened to the white corpuscles in the bloodstream in the human body; this stream flows at great speed and with a perfectly balanced distribution to serve all members according to their size and needs, and of their importance to the whole body. Under normal conditions these little white policemen are present in numbers of 7,000 to the quarter cubic centimeter. Their duty is to rush about looking for enemies, and to destroy them wherever found. If an infection attacks the body at one or more points they divide their forces and attack. While not endowed with intelligence like the enemy they fight, they act with a strategy and directness which seems to imply something more effective than the intelligences we observe in organic life. Being an encased vacuum their strategy is to absorb about 12 enemies, one by one, into themselves. So long as the disease remains, they continue to attack, but in doing so, and in defending the body, they themselves are engulfed. Should their numbers be reduced the disease may spread, as then the attacking germs are gaining the ascendency. Detecting this turn of events the careful, skilful physician gives a transfusion of blood, so as to increase the number of his white soldiers and bring his battalions again up to

fighting strength, as otherwise the whole body will perish. In like manner the gold circulates in the bloodstream of our economic life. To-day it may be in Brussels, and next month in Berlin, Paris, Rome, London or New York. Normally, it does not flow in any direction except to give succour, and to balance the needs of that particular part of the body. Like the corpuscle, it passes by all healthy areas, as its mission is one of relief, and to maintain the health of the whole body in equal measure. If there is a depletion in the bloodstream depression sets in, and unless overcome by transfusion the disease gains control, and we have a collapse.

What we are learning now more than at any time is that gold's function is service—not mastery, and its jurisdiction—the world. No part of the body is safe unless all parts are safe. The body cannot say to the hand "What have I to do with thee?" There is another condition in which equal danger lies,—that is when these little white soldiers concentrate too much in given areas; this makes for congestion, disequilibrium and coagulation of the bloodstream, again with grave danger to the whole body. The similarity is evidently a close one. Had our economic system been created by design, one could believe the pattern had been the one described. There is this difference, however—its function needs redefining as one of service: It lacks in numbers less than sufficient to cover the paper currencies, and give marginal backing for the credits necessary to load and discharge all the cargoes which would otherwise give a more equal distribution of the earth's abundances to all

mankind, and also to give a true definition of those ills we call "overproduction", by redefining it as "underconsumption". Lastly, let us recognize this medium as a common heritage, and adopt one international standard gold coin, "an Esperanto of currency", known and understood, and of equal value with all. With this we can then hope to keep the bloodstream of the nations under a unified command, fighting poverty and disease for all mankind wherever it be found.

III

WEALTH, CASH AND CREDIT

WEALTH, CASH AND CREDIT

In the pre-depression era our papers and journals were filled with eulogistic articles on wealth and progress. Whole articles were devoted to the individual successes of men of all trades and callings. They told us of the simple rules by which their wealth was amassed, so that the ordinary citizen wondered how success had passed him by: he too had followed the teachings of honesty, frugality and hard work. Investment houses and market dopesters put out house sheets with proofs that a "new heaven and a new earth" had come, and that all signs on the graphs indicated a continuance of the era until 1935 at least. New stock market tickers of greater capacity were installed to keep up with sales on the floor. Industrial offices not associated with exchanges had tickers installed to keep tab on the best time to buy. The few who had not made fortunes, or learned how to play, were looked upon as old-fashioned. Our leaders gave knowing nods and winks, or raised their brows just a little as if to say, "It's all right in a way, but it may be going a bit fast." Any voice raised in warning was drowned out by the rapid-fire ledger machines, telephones, desk men, chalkers-up, or the ticker. Only the margin scalper worked noiselessly, and talked in subdued tones: "Too bad," he would say,

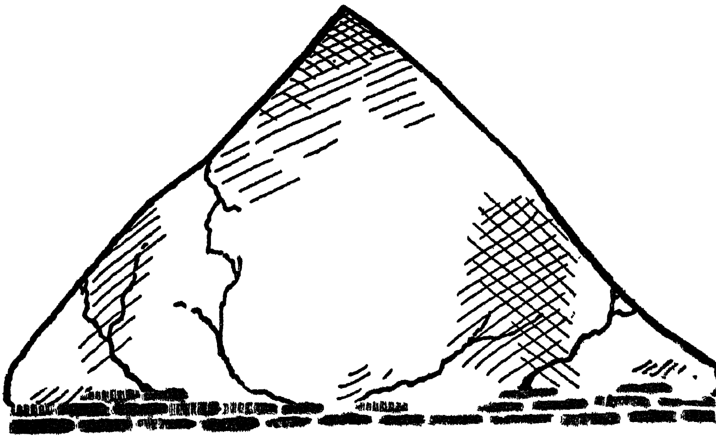
"about that last group you bought up—they look a little unseasoned as yet—best to stick to the sure thing list—they've got the stuff—you'll win next time." Those responsible for the selection of those boys showed real flashes of genius—and then the dam burst. The promoters had flooded the market with derelict stock, and the shorts had dumped their cargoes of borrowed lots on top of it all; the market was asked to absorb securities which did not represent industry; Samson gave the overloaded pillars of credit a final heave,—and the debacle, like the retreat from Moscow, was on. Like the ancient Hebrews we had reverted to the worship of Mammon,—and with the same consequences. Let us pass the unhappy intervening years as one passes a house marked "Smallpox", with the single observation, that modern history offers no parallel to the marathon dance of those masked bears who continue even yet to hold high and undisputed carnival in the graveyard where giants and their hopes lie buried together.

One frequently hears the question asked "Where has all the money gone to?" Naturally we look back to the "era of millions" and question the veracity of those who tell us that budgets cannot be balanced, or payrolls made up in the factories, from the differences between costs and the amounts realized from sales. Manifestly, the industries would keep going, after a fashion, if the losses were less than the fixed and unavoidable losses from overhead, under closed conditions. When the losses running exceed the losses closed, management must consider if maintenance of connection with customers is worth the difference;

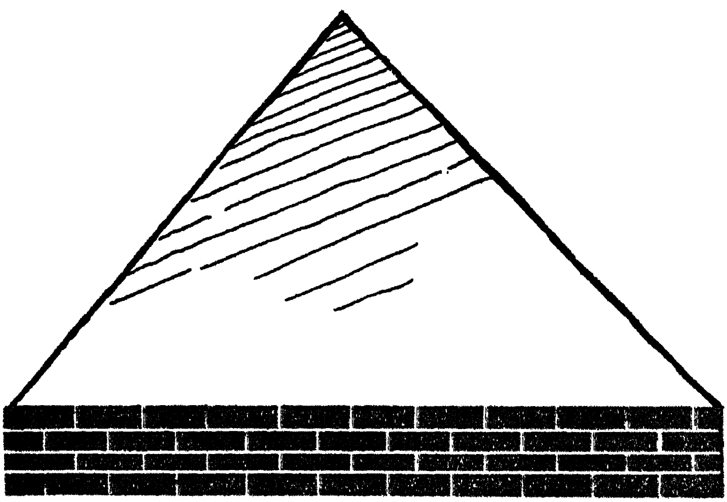
if so he knows definitely how much he is paying to continue service to customers, and in making this decision he must look for the approval of his Directors and of his Banker. Failing to get their support he has no alternative but to close down—to avoid liquidation. That is the nemesis he must avoid at all costs—not only in the interests of all financially interested, but also in the interest of those employed. Sometimes the management's action in shutting down appears to be selfish and calloused, and sometimes it is, but on the whole this is not the case. The rules of the game are hard and fast, and he must play the game according to the rules, or sit upon the dunce's seat in the penalty box.

IV

THE PRESENT PICTURE



SOCIAL ORDER BREAKING DOWN
AN INSUFFICIENT BASE



NEW SOCIAL ORDER
AMPLE FOUNDATION

NET COST OF WORLD WAR

Covering the six fiscal years 1914 (or 1914-1915) to (1919-1920) inclusive—in 1913 dollars

Allied and Associated Powers	
British Empire—	
Great Britain	$21,234,000,000
Australia	751,000,000
Canada	1,050,000,000
India	20,000,000
New Zealand	137,000,000
Union of South Africa	40,000,000
Crown Colonies, Protectorates	104,000,000
Total British Empire	$23,336,000,000
Belgium	$ 662,000,000
France	9,282,000,000
Greece	143,000,000
Italy	3,211,000,000
Japan	86,000,000
Portugal	134,000,000
Roumania	201,000,000
Russia	5,369,000,000
Serbia	6,000,000
United States	17,139,000,000
	$36,233,000,000
Total Allied and Associated Powers	$59,569,000,000
Central Powers	
Austria-Hungary	$ 4,727,000,000
Bulgaria	274,000,000
Germany	19,894,000,000
Turkey	333,000,000
Total Central Powers	$25,228,000,000
Grand Total	$84,797,000,000

Normal expenditures of Nations, and loans from and to Allies, as well as interest, and other expenses incurred since 1920, are not included.

CASUALTIES OF ALL BELLIGERENTS IN THE WORLD WAR

(Compiled by U.S. War Department; checked up on Feb. 25, 1924; corrected, June 30, 1928.)

	TOTAL MOBILIZED FORCES	KILLED AND DIED	WOUNDED CASUALTIES	PRISONERS AND MISSING	TOTAL CASUALTIES	PER CENT.
ALLIES						
Russia	12,000,000	1,700,000	4,950,000	2,500,000	9,150,000	76.3
France	8,410,000	1,357,800	4,266,000	537,000	6,160,800	73.3
British Empire	8,904,467	908,371	2,090,212	191,652	3,190,235	35.8
Italy	5,615,000	650,000	947,000	600,000	2,197,000	39.1
United States	4,355,000	126,000	234,300	4,500	350,300	8.0
Japan	800,000	300	907	3	1,210	.2
Roumania	750,000	335,706	120,000	80,000	535,706	71.4
Serbia	707,343	45,000	133,148	152,958	331,106	46.8
Belgium	267,000	13,716	44,686	34,659	93,061	34.9
Greece	230,000	5,000	21,000	1,000	27,000	11.7
Portugal	100,000	7,222	13,751	12,318	33,291	33.3
Montenegro	50,000	3,000	10,000	7,000	20,000	40.0
Total	42,188,810	5,152,115	12,831,004	4,121,090	22,089,709	52.3
CENTRAL POWERS						
Germany	11,000,000	1,773,700	4,216,058	1,152,800	7,142,558	64.9
Austro-Hungary	7,800,000	1,200,000	3,620,000	2,200,000	7,020,000	90.0
Turkey	2,850,000	325,000	400,000	250,000	975,000	34.2
Bulgaria	1,200,000	87,500	152,390	27,029	266,919	22 2
Total	22,850,000	3,386,200	8,388,448	3,629,829	15,404,477	67.4
Grand Total	65,038,810	8,538,315	21,219,452	7,750,919	37,494,186	57.6

Killed and died includes deaths from all causes; British Empire and French figures are official.

Figures for the United States include marines serving with the army. Wounded casualties include, for the United States, those who died of wounds, numbering 14,500.

Excluding members of the United States Marine Corps who served with the Army in France, the United States Army casualties were as follows:—

Total mobilized forces, 4,057,101; killed and died, 119,956; wounded casualties, 193,663 (representing 182,674 individuals, but not including 12,942, who died of wounds); prisoners and missing, 4,423 (representing prisoners only, all missing cases cleared up); total casualties, 318,042; per cent. 7.0.

THE PRESENT PICTURE

History offers no parallel since possibly the Fall of Ancient Rome to the conditions which the economic world finds itself in to-day. In other periods of time, it is true, great disasters have come to one or more countries, but not with the general application we witness to-day. A century ago, those countries which are now industrialized were agricultural in an economic sense and their produce was largely for domestic consumption; transportation facilities as we know them did not exist. Our modern civilization is built on a different theory; its prosperity depends upon the home market as a first consideration, and as a second consideration the foreign markets, the proceeds from which create national surpluses and the greater prosperity.

The picture we see now is one in which the home market demand is reduced to the absolute necessities of survival, and the foreign markets are demoralized through lack of buying power. This has produced unemployment of a race of people who have ceased to be agricultural on the "grand scale", and with reactions which tax the imagination to comprehend. Business transactions, by those who still persist in doing business, turn out so badly under these conditions that the courts are filled with writs, repossessions, executions and

judgements which cannot be liquidated. Workmen, farmers, business men and industrialists are being dispossessed of their businesses and homes and are walking the streets with the haunted look of hunted and hungry men on their faces. Millions of the little ones, not on the streets, are hungry and undernourished; their laughter is not heard.

Western Civilization is suffering a rude jolt. In those countries most self-contained, and most highly industrialized, banks have been going under at a rate that has left whole districts without any banking facilities; withdrawal by hoarders has been going on at a greater speed than securities can be liquidated to meet demands in a depressed security market, where prices have gone down in many cases to one-tenth or one-twentieth of their former values, and this has been the case with large and powerful nations considered immune because of industrial supremacy and accumulated wealth. For two and one-half years this has been going on, intensifying as the months go by, and the storm shows no sign of having blown itself out.

Only a short time ago it was considered disloyal to business to utter a word of caution; business was kept up to a high pitch on faulty optimism:—now the pendulum has swung into reverse position and those slogans, "Business is good," or "Good times are just around the corner," are not being heard. The time is now when we must face the facts grimly, as men face war, and if a remedy is to be found, it will be by those who not only face the facts, but analyze the situation from a world point of view. Manifestly, it is a

world situation and its causes are international in character, and anything short of a composite picture will fail us as a basis of diagnosis. Only by tracing backward from effect to first cause will we arrive at a diagnosis of value. Such a study will necessarily embrace all world areas recording similar symptoms; having done so and taken into account all these symptoms which go to indicate the virulence of the economic disease, let us see if in the alchemy of the ages there exists a safe, sure specific which can be speedily applied to have this old World of ours up and around again before the close of 1932 can have launched us into the fourth year of a debacle as long and as demoralizing as its cause—"The War."

The situation is not without its bright side; in addition to having lost our money and confidence, we have lost some of our liabilities; no longer are the social and economic orders under which we live accepted with that smug complacency which takes everything for granted; there is now a keen, anxious, healthy questioning of the seaworthiness of the Ship of State, as well as a partial revival of the lost art of self-examination.

Then again we have lost some of our insolence, and it almost seems a pity that we will be back on the road to recovery before this is fully liquidated. Many of the old business rackets have lost their magic: Barnum's famous maxim is less frequently heard; the people are thoroughly debunked. Let us hope that the next time they place such a measure of trust and confidence in their fellows it will be because of sounder moral reasons. It does

seem characteristic of human nature, however, that in the face of grave peril men rise to greater heights of thought, endeavour, and sacrifice, and, in doing so, beneficent nature always provides a way out from our difficulties, but when the sun smiles on our pathway of life, and we again become secure of "meat, clothes and fire", and are thus removed from the chief physical evils of existence, we relapse again from those exertions, and our contribution to society is in reduced ratio and often too carefully calculated not to exceed withdrawals. Somewhere between the two Poles we harvest a full experience of life and learn more from our failures than from our successes;—and our emotions and reactions, combined, bring a full experience,—thus serving the purpose of our little visit here.

Is There a Way Out?

Possibly the most hopeful sign that we are approaching the remedy is the number and variety of articles appearing in the press of the world by many of its most highly-gifted men of affairs, in which many novel plans are made for grappling with the wolf at the door. Some at least would confine their proposed remedy to an isolated industry or to a single country, and let the world go hang; others appear to treat the symptoms rather than the disease. Manifestly, the cause of the depression may be traced back to a single cause and to a definite date. It does seem that those who continue to believe that isolated action will pull us out are now in such a hopeless minority that

we are inclined to give only a limited space to their thesis.

Physics teaches us that action and reaction are equal: we are face to face with the reaction from something;—what was the cause? In this reaction we find the strongest are losing their strength and the bravest their courage; it is as though an octopus had fastened first on one place and then on another, until fear has gripped the stoutest hearts, taking its dreadful quota from the "will to win through". None now can claim exemption, excepting those few who have thought it best to turn a deaf ear to the anguish of their fellows—their position is not an enviable one. October 1929 will be remembered in millions of homes as the beginning of a pestilence after August 1914 is forgotten. It might be well, however, to link these two crises as one, notwithstanding the fourteen intervening years; they are so interrelated as to be the inseparable twins in this study of "cause and effect". Historians who write books for students, as well as the rest of us, might do worse than to add the total cost of one to the other, so that future generations may estimate with greater precision the cost of "dignity" and the value of "cheap victories". In both cases the pawns in this dreadful form of arbitration are human lives, moral standards, cherished ideals and hopes, and the rewards are uncollectible indemnities and further strife, followed by such reactions as the last thirty months, with their toll of despair and hardship—less acute, no doubt, but more widespread, and quite equal to its cause—"The War". If we could appraise the present

reactions with accuracy, and measure them alongside the anguish of four years of war, we would be able at least to know when our cup of grief is as full of "effect" as it was of "cause" in 1914-1918.

Just how we could have expected no unfavourable reactions from an event of the magnitude and duration of the World War is hard, from our present point of view, to understand. In a struggle of four years' duration in which over twenty nations participated, 84,000 Million Dollars was spent in the prosecution of war alone; this does not take into account the enormous sums spent in demobilization, readjustment and interest on debts for fourteen years since, probably a greater sum than the cost of the war; nor does it take into account the losses to shipping, and devastated towns and cities. This has left the six principal contestants now involved in a tangle of war debts and reparations of 80,000 Million Dollars of internal debt of which about 70,000 Million is directly due to the war; then again the amount which Germany has still to pay, fourteen years after the conflict has ceased—and over the next 60 years, makes a total of 27,000 Million Dollars. These sums are payable to France, Italy, Belgium and Great Britain, and to a large extent repayable by them to the United States, also over a period of 60 years, in settlement of merchandise and money supplied to her Allies. According to the calculations compiled by the United States War Department up to 1928, it took this amount of money, in a world which had only 10,000 Million Dollars of gold altogether, to kill

eight million men and wound twenty-one million, with total casualties of thirty-seven million. Nothing but an era of pure magic could produce such human and financial losses without a reaction, corresponding with the present one, following at some time or another.

It seems paradoxical that, in a world prodigal with the abundances of everything which a human heart could desire, our systems for the division and distribution of even the primary essentials of existence have broken down so that millions of our brothers, whom every inspired prophet of the ages has charged us to nourish, are now getting so little of this earth's abundances that there is less than enough for food, warmth and shelter. Certain we may be that there are those who scheme against the public weal, but it would be a bold man who would say that any man, or group of men, has, since the war, precipitated this ghastly calamity upon their fellows, by design. This may be true, but it would be more charitable to turn our faces away from such a speculation, and reflect that nature, in her scheme for providing large margins of her abundances, had included more than enough to offset the follies and the wastefulness of a race which still continues to include war amongst its luxuries, and that in our search for the surpluses, we have just lost our way—or probably lost our sense of basic values. Let us scan carefully the fundamentals of our system to see if there is not some lost or forgotten key, or a time-honoured formula, which could be used to open the floodgates that will again water this arid earth and make men's hearts become glad again. If it should be

that such a key be found, he would be a bold man who would oppose it for his selfish ends. The shadows thicken on the western horizon with each passing day;—those who are grown to maturity may battle along for a time, but there are millions of little ones in their care to whom our world was once a land of promise. Down the pages of history lesser evils than this have opened the floodgates of hate, to close in the end even the records of eras made glorious in their time by their poets, patriots and martyrs. Too often for their own good men have changed their masters for worse ones, but not always; history reminds us that integrity and ability are not in the sole keeping of any class or caste, and that "honour and fame from no condition rise". It is comforting to think that the dole, relief measures and a little work are holding back forces that might swamp civilization—but that is not enough—the Russian picture offends the western eye; "we must be up and doing."

The largest and most wonderful machine can be brought to a standstill through a little battery getting run down to a wrong amperage. In like manner our economic order can suffer a similar fate and from a similar cause. It does not require that the entire machine be scrapped, because it has proven time and again its worthiness; it may require only a new small dynamo or a recharged battery to restore its full usefulness. A careful study of financial matters, including a composite picture, presents some startling surprises; the skilful physician is careful not to treat symptoms but to trace backwards through the symptoms to determine the cause of the malady: if he treated

the patient for the symptoms, and the malady were a serious one, the probability would be that the patient would die. Is it not possible, even probable, that the limitations which bar our progress back up the hill we have skidded down these last three unhappy years, are largely a result of self-imposed restrictions by the Nations of the World *acting separately and out of accord in a matter which is "international" in its character?* In practice, the effect of individual national action on large matters has the result and often the intention of making the going tough for their neighbours, rather than in enlarging their own field of operations and liberalizing the basis of business in which they might otherwise share. As the world's difficulties are wrapped up in restricted financial reserves, currencies, and credits brought about by debt and disequilibrium of the reserves,—and since these things are the battery which gives the machine its pulsation and energy, would it not be advisable to sink all differences and tackle this problem in the spirit of a *"Crusade of Nations"?*

The German General Staff were not doing badly until in 1918 the Western Allies conceived the brilliant idea of a unified command, and just to complete this flash of genius placed the whole machine under the direction of a French "Master of War". We all recall the result,—in a few months the boys were on their way home; and still the value of that idea had been known to all military strategists throughout all history, but was not being applied in a contest in which all the military talent in the world was supposed to have

been conscripted. Does it not seem reasonable that such a priceless formula might, with equal advantage, be applied to a monetary system which has given us equal proofs of its utter inadequacy to overcome the resistance of this economic landslide? To those who would prefer some comparison without unpleasant memories being recalled, might we suggest another parallel—one from nature: Notwithstanding occasional catastrophes of floods, fire and drought, nature produces for man and beast such an endless variety of every desirable thing that we have not yet learned the use or purpose of them all. Such shortages as exist are a result of our lack of vision or of our faulty system of distribution. Nature does not meet her created ones only half way—which is a concession we think manly and generous; —she meets us all the way, and with margins many times our probable needs; she creates a delicate, sensitized bodily organism, and then gives it a capacity several times its normal needs. No single important commodity has as yet been exhausted, although economists continue to predict an early date when copper, iron, coal, oil, even gold, will be exhausted. Why not then let us learn from this eternal and infallible source, and so reconstruct our monetary systems that they are at least equal to the requirements of business; and if not so generous as nature—let them at least be equal to the known requirements, not only of fat periods, but of the lean seasons of stress?

The pyramid, unlike the pagoda, does not blow over or sink in the sands because its foundation is equal to its base and greater than its

height. So likewise a social order must have a solid underpinning equal to its base, or maximum dimensions, or it will sink—and thousands of years hence another race may excavate to find its ruins. What we need is a social order in which gold, the base and foundation of all our currencies and of all our credits on which the world's business is done, will be broad enough to bear the burden of ordinary stresses,—burdens of all stresses of both lean and fat periods in human affairs and not collapse under the added weight of profligacy as we now witness, leaving countless millions who have trusted to the leadership and direction of others—while they only pay and, as victims, flounder in the slough of despond, reproaching their leaders with charges of incompetence which are hard to refute.

There is only one sure foundation for a social order which is based on gold, *and that IS GOLD*—Gold to a value which bears an *ample and proper relation* to the burdens and *needs of our currency issues* so that every pound note, dollar, franc, lira, mark or belga will bear on its face a promise *"Payable in Gold"* and thus bring to an end the machinations of those who would make money itself the subject of barter and exchange, and in doing so defeat the very object of currency, which is to *give a definite standard,* or yardstick *free of all suspicion of its worth,* and which time, wars and periods of depression cannot debase.

V

UNEMPLOYMENT

UNEMPLOYMENT

6 Proposed Treaty Nations and 6 Other Nations

COUNTRY	NUMBER MEN UNEMPLOYED	SOURCE INFORMATION	COUNTRY	NUMBER MEN UNEMPLOYED	SOURCE INFORMATION
UNITED STATES	6,050,000	Statement by Sec. Lamont, March 20, 1931	CANADA	331,953	"Bureau Statistics," given work Sept. 3, 1931
GERMANY	3,963,000	Records June 31, 1931 2,353,657 on relief	HOLLAND	56,028	June 30, 1931 Almanac of World
GREAT BRITAIN	2,726,000	Records of dole	DENMARK	36,369	July 31/31 from Almanac
FRANCE	35,828	Official, Aug. 31, 1931	SWEDEN	45,839	June 30, 1931 Almanac-Official Rep.
ITALY	573,593	June 30, 1931	NORWAY	13,000	Aug. 15, 1931 Almanac-Official Rep.
BELGIUM	63,339	June 30, 1931	SWITZERLAND	10,000	June 30, 1931 Almanac-Official Rep.
TOTAL 6 Others	13,411,760 493,189		TOTAL	493,189	
GRAND TOTAL	13,904,949				

UNEMPLOYMENT

In the East, where "East is East, and West is West, and never the twain shall meet," the lowly follower of Mahomet, languishing for lack of food, or shelter, still wails with his last breath "Allah il' Allah, it is written". In our Western world, not long since, the victim of our selfish order, passing to his final rest, had the assurance that "it was the will of God". To-day we have in the Western world a people who have learned that our destiny is restricted by man-made standards, and by an economic system which makes an unequal distribution of the earth's abundances. When the sun of plenty shines on him, he lives the same as those he distrusts, but knows that the system is working fairly well for him for the time being; when the sun ceases to shine he fancies that a Frankenstein gang of capitalists have developed overnight an insatiable appetite for so much more than their share that his little ones suffer want—his reasoning processes are thrown aside—he goes berserk—sees red. Who can blame him, when the stakes are so high for him?

We are in the middle of a new age; our understanding is incomplete; either we must quickly educate the masses to really understand the economic machine, or fix it so that it does not break down again: the former is too slow a process to meet the situation we face; the latter

is better in any case. We cannot adjust it so that there will be no waves in the curve line of supply and demand, but we can fix it so that there will be no great surges like the present,—involving collapse, hoarding, and a justifiable lack of confidence in the basic standards back of the system under which we live. Rebuild these standards so that, no matter what happens, we will have the knowledge that our currency is sound; that capital is available for those legitimate activities which sustain employment, and we have brought our civilization so much more into line with the laws of a universe of plenty that a scourge like this can never come again.

The accompanying Chart on Unemployment shows the official returns of twelve countries between the dates of March and August 1931. Such data are necessarily incomplete and imperfect inasmuch as none of the nations are disposed to exhibit a greater degree of unemployment than exists, and there is much unemployment which does not find its way into the official records. It will also be borne in mind that unemployment between March and August is very much less than in the winter months when construction work and industrial activity are at their lowest point.

The official figures, however, in the six countries with which we are presently concerned, reach the stupendous total of 13,000,000. *The American Metal Market* has published some figures as to unemployment at December 31st, 1931, showing an increase, for four countries alone, of 5,430,205. It reports that unemployment in the United States has grown to 8,800,000; Germany to

5,996,000; Italy to 982,321; and France to 273,305. It may be safely assumed, therefore, that official and unofficial records would place the total of unemployed, in the twelve countries charted, at approximately 20,000,000. The increases reported for the end of the year showed approximately 50% higher than in the summer of 1931, and if this ratio of increase applied to the other countries shown in the Chart, the total of unemployment would exceed 20,000,000. Calculated at $2.00 per day as a wage and economic loss, and without taking the rest of the world into consideration, this is a money loss of 12,000 Million Dollars per year, or about double the total amount involved in war debts and reparations (if they were paid at once on the basis of a 2½% compound discount). Put in another way,—if the depression could be shortened by as much as six months by a total cancellation of war debts, the savings on economic balances would offset the losses by cancellation. It would seem that the war debts are occupying a place in the picture all out of proportion to their importance in the affairs of the world. The Reverend Doctor Harry Emerson Fosdick states *"The extremes of wealth and poverty in this country do not make for the success of a republic. The dangers to this country are not from the outside, but from the inside."*

Figures in money can at best only illustrate the material losses,—the loss in morale is an abstract factor, but still much greater in its effects than a money loss. These men have not been improved by this kind of a holiday, and we cannot

look for a degree of efficiency likely to approach overproduction again for some time after the wheels of industry start up.

VI

GOLD—THE MAGIC METAL

OUTPUT OF GOLD BY LEADING GOLD PRODUCING COUNTRIES AND STATES

(In Millions of Dollars)

Source	1915	1919	1922	1923	1924	1925	1926	1927	1928	1929	1930
Transvaal	188.0	172.2	145.1	189.1	197.9	198.4	205.8	209.3	214 0	215.2	221.5
Canada	19.0	15.9	26.1	25.5	31.5	35.9	36.3	38.3	39.1	39.9	43.6
United States	101.0	60.3	47.3	50.2	50.6	48.0	46.3	43.8	44.3	42 5	42.4
Russia.... .	26.3	11.0	3.0	5.2	19.8	21.9	20.5	21.9	24.8	17.3	17.9
Mexico .	6.6	15.2	15.5	16.2	16.5	16.3	16.0	15.0	14.5	13.5	
Oceania	49.0	26 1	18.8	18.1	16.5	14.0	13.5	14 2	13.1	12.1	
Rhodesia	18 9	12.3	13.5	13.4	13.0	12.0	12.3	12 0	11.9	11.6	11.3
India...... .. .	11.5	10.5	9 0	7.9	8.2	8.1	7 9	7.9	7.8	7.5	6.8
All Others	49.7	42.4	41.1	42.2	39.4	38.7	41.4	39.3	38.9	43.4	80.2
World Total Output.. .	470.0	365.9	319.4	367.8	393.4	393.3	400.0	401.7	408 4	403.0	423.7

GOLD—THE MAGIC METAL

Anything which crushes individualism is despotism in its worst form. This is true, regardless of under what name or what guise individualism is destroyed. Those who advocate a return to the system of barter and exchange, and the elimination of the Gold standard, may be driven by dire necessity to such an advocacy, but they can hardly have realized the reversal to primitive existence which this implies. In olden times a man's possessions were largely in herds, and barter and exchange could only increase those herds and, at the same time, his responsibilities. Increases in his wealth were not of a liquid or convenient form. Gold has been man's best friend; inasmuch as it has made possible his evolution from a primitive form of life to a life of efficiency and culture, by reducing the physical effort involved in business to one-half of that required by a system in which deals were in the nature of an exchange of possessions.

The association of Gold with the past is as persistent as human emotions, in fact its possession is our second strongest emotion. It is woven into our histories as threads into garments. It is an integral and motivating force in our literature, and occupies a wide space in our poetry and songs; removed it would make a dead language of them.

Nor have we yet arrived at a point in human development where we can *exchange a reality for an ideal,* or something *of doubtful potency.* Let us *adhere* to the concrete and real, providing always that it is *capable of adjustment,* so that its service is not impaired, unduly restricted, or *fails to serve the ends in view.*

Gold has always been regarded as the most beautiful of metals; it is so malleable that it can be hammered into leaves .000009 of a millimeter in thickness and this characteristic enables it to be used without large expense in commercial work where no other metal could be used. In early times it was found in Asia and Africa, and later in Hungary and the Ural Mountains. After the discovery of America, South and Central America became important sources and later on, in 1848, California; Australia in 1851; the Alaskan discoveries in 1886 and Africa in 1884; Canada has since become a large producer. The alluvial deposits in streams and sands could be worked by the old hand or sluice methods but modern mining of gold is quite a different proposition, and were it not for modern efficiency in power, crushing machinery, rock drills, blasting powder and chemical solvents, very little gold would now be produced.

Gold has been the only legal tender in Great Britain since 1816 and was made the legal standard in the United States in 1834. It was adopted as a single standard in Germany in 1883 and when the mints of France and the Latin Union were subsequently closed to the free coinage of silver, it became practically the only international money

of the western world. Gold was worth thirteen times as much as silver in ancient Egypt, ten times in Greece and Rome before the Christian era, and has steadily increased in value relative to silver, the commercial ratio being about 30 to 1 in 1912 and about 65 times the value of silver at present.

Since 1837 the weight and fineness of the Gold Dollar has not been changed. The significant thing is that money should always have the same general purchasing power, if it is to perform its function as a standard of value.

The circumstances which determined the fineness and value of Gold throughout the ages, and particularly at the beginning of the last century, *bore no relationship whatever to the economic necessities of this modern age of business.* The United States bank clearings for 1930 were $549,000,000,000. This is about 120 times all the Gold in reserve in United States, or equivalent to a complete turnover; had the demand been made in Gold; each three days of the year. No such comparison could have been made a century ago. This gives one some idea *of the pitiful inadequacy of the supply of Gold to-day, in relation to the business transacted*; all of which it represents in one form or another. It may also be presumed that the transactions mentioned above do not include in the official figures all those other business settlements between citizens, made with silver, with nickel, copper, or paper money; but only those going through the bank ledgers. The supply is so disproportionate to these transactions as to throw an undue strain on the Gold system, particularly during periods of

stress and lack of confidence, when credits have shrunken and must be replaced by actual money.

No useful purpose could be served by recounting at any great length the encyclopedic history of Gold. It may be presumed, however, that in ages past, when only a few nations had any voice whatever in international matters, and the value of co-operative action as between nations was not known nor recognized, the considerations which determined its standard or purchasing value were based on theories of restriction rather than liberalization or service, and with an eye to "making the going tough" for the other fellow in a less favourable position. Certainly no conception of the volume of business this age would be doing was even suspected by the most far-sighted of our ancestors as recently as one century ago. America's action in 1837 in establishing for herself the fineness and weight of her Gold currency, and its dollar value per troy ounce, was the action of what was then a smaller nation adjusting its standards to fit in with those established standards of the older and larger nations.

Until the World War brought about our present dislocation of Gold Reserves, and in doing so awakened us to a realization of their inadequacy on their present basis of valuation, we continued to regard Gold as something sacred and awesome, and possessing the character of infallibility. The Gold Standard was not designed;—it just grew up into its present position in response to a universal need for a reliable medium—one which would be sufficiently scarce, in order that its value would

not be threatened—so that an unwanted bag of flour would not have to be delivered to the other party to the transaction in exchange for a wanted side of mutton. Its increased use made business easier of conclusion, and, as stabilization through this medium came to the nations, the people prospered more and more,—and the rulers found it safe to extend a larger measure of liberty to the people. Although not entirely free from defect, chiefly that of *lacking in the System any provision for periodical reappraisals of its value,* so great a contribution has been made to Society by Gold, that a world which (except for a few such highly-placed persons as the rulers, freemen and clergy), a thousand years ago, was composed largely of penniless serfs, now has been changed into a world of populous nations in which, with the exception of brief periods of money shortages, known as depressions,—about 90% to 98% of all the workers have been so profitably employed that the standard of living of a mechanic to-day is higher than that of a feudal Earl in the Middle Ages. Gold currency, trade expansion, freedom and democracy therefore grew up together, and are brothers in the cause of human development through the unending struggle for "a better way".

It might be well to analyze carefully the lessons of history before parting rashly with any timbers of the bridge which has carried the human race from the nightmare of a few centuries ago to the dizzy heights of the modern world, or to scrap a primary part of our economic system because Mars turned his murky face our way and gleefully watched us destroy in four years the

careful gleanings of the past and the manhood of the present. Let us rather renounce the scourge of war, than any part of the system which has been victimized by war; which always runs counter to the interests of the human race, and is the negation of our most priceless standards.

True to the prospector's philosophy, "Gold is where you find it," the illusive mercury is used to round it up, and the Gold seems to gather from these contacts some of its illusive character. In these equations we have to deal with it on the basis of its present allocation, and in finance possession is more than nine points of the law—it is the whole ten, as applied to the World's present Gold Reserves. Although by nature really a common heritage of the race, its possession enables the possessor to "set the stakes" and say how high or how low the play will be, or if there will be any play at all. After all, it is still only a medium, and, as such, is only a good medium so long as its relation to human needs is regulated so that it serves but does not exercise mastery over man. Until now, and particularly since the World War, —for lack of rational judgment—it has acted as the master; dictating the destinies of men and limiting their operations to a basis smaller than that necessary to give a fair distribution of the world's abundances to all mankind. *From now on it must serve—and serve well—the needs of humanity,* whose activities must not be subjected to restricted limitations. It must be ample to cover the paper issues; be international in its character, and enjoy the same value and respect in all lands; and, as such, form the basis of a new

Credit System, free from the arrogances of those who can never regard it as a medium of service. It must be "reduced to the ranks" for the welfare of the people.

Up to the legitimate requirements of business, there should not be tolerated any limitation of the dollar value of the Gold in coinage and reserve, any more than that restrictions should be placed on the supply of ink for writing cheques in payment of business which gives more work to producers and more comforts to consumers.

Gold is not, however, as some imagine, the main item of the world's wealth. In the accompanying Chart, the wealth of the six nations involved in war debts is over $600,000,000,000 or sixty times the value of the known supply of Gold. The supply is less than one-third of the amount of the British Internal Debt. The total supply would make about a 3% cash payment on a purchase of the United States, if it were all put in one pile (*which two nations appear to have been busy doing of late*), if one could imagine so grotesque a deal, or conceive of Uncle Sam dealing on such a generous cash-down basis. In the purchase of manufactured goods and commodities alone in the United States, their total supply, if made with Gold, would have to change hands fifteen times a year. This is not what happens at all. This turn-over makes no such disturbance of Gold, or paper money either for that matter; but is accomplished by debits and credits in bankers' ledgers, and the amount of business done with actual money is much less.

This is the Credit System, which has its roots in the Gold Reserve, and while Gold may be had if demanded, in those countries which are on the Gold Standard, the transactions are concluded without exercising the option of taking Gold payment. These credits which grow out of Gold bear a fairly definite relation to Gold, but vary greatly as between good times and bad times, and it is therefore *the restriction of the Credit System which we mostly suffer from at present.* When profits can be earned and loans can be made without risk to the principal; credits are large, because the hazard is small. In hard times, loans become risky because clients' securities are not readily marketable and loans are hard to collect and involve losses; so that credits shrink to a small percentage of what they are when business is normal. This may account for the definition given of a banker as *"one who loans you his umbrella when the sun is shining and wants it back when it is raining."*

Clearly, then, the amount of Gold remains the same; in fact there should be about $500,000,000 more of it on hand than when this depression started in 1929; the world's production being $420,000,000 per year, of which it is said that from one-quarter to one-half finds its way into currency; the balance being devoted to commercial and artistic uses. It is credit that has dried up in the bloodstream of the nations, and congealed, and with this has come a loss of buying power, shrunken security values to the extent of myriads of dollars and an endless catalogue of unhappiness.

Realism, without the support of idealism, will not lead us out of the slough we are in, and in our corrections of the situation, tradition alone would be an unsafe lode-star. If the credits could have withstood the strain of war, war debts and reparations, with their unfavourable reactions as an added burden, and taken care of the world's normal business with a safe margin as well, this present economic condition would not have happened. America did not suffer greatly from a shrinkage of credits in 1929; but did so later from European reaction on credit, and the diversion of Gold into channels not as largely employed in the conduct of the world's banking business as before these diversions occurred. It therefore seems clear that any nation can suffer as great a reverse through the unfavourable reactions of another as though they had been her own.

History credits King Solomon with being the first to standardize the Gold System, and he practically demonetized silver. This attracted all trade in his direction. He controlled the Gold mines of Ophir. In addition to decorating his palace and the Temple with this beautiful metal, he was able to open up new trade routes and prosper greatly. Solomon made the error, however, of collecting too much Gold; thus arousing avarice and creating difficulties for his nation. The parable of the man who buried his Talent in the ground and did not keep it circulating, is a very apt one. Kept in circulation it creates new wealth.

The world's present supply of Gold was produced with cheap labour; much of it with slave labour. It is doubtful if the world's stock of Gold

has been produced at a higher average cost for labour than fifty cents a day, as contrasted with modern costs of ten times that amount. During the period of its accumulation all other commodities, almost without exception, have advanced in terms of Gold from ten to one hundred times their former value, so that we now suffer a Gold and Credit shortage which a revaluation of the Metal could quickly correct. The valuation of $20.67 per ounce would be less than the cost of production at most Gold mines now producing, were it not for the mechanical and chemical methods of reduction which make it possible for some of the heaviest deposits to be still workable at a profit.

VII

EXCHANGE

EXCHANGE

This is the canker that is eating into the very vitals of our economic life. It is a racket, beside which those who deal in illicit liquor, levy blackmail, or kidnap children, are pikers, by comparison. One nation—possibly through excess of zeal in prosecuting a cause in which they assume too heavy a financial responsibility on behalf of themselves or others—find their budgets unbalanced, or their currency not fully covered with gold, or that they are buying too heavily from a friendly nation, and have an unfavourable trade balance—the result is the forced abandonment of the Gold standard and they awaken some morning unexpectedly—always unexpectedly—to find their national money at a discount in foreign countries. Without even a profit to the creditor nation—as a nation, a loss of millions faces that country in settlement of transactions which had been considered as par transactions when contracted. There is a large group who capitalize such a disaster; they buy exchange at favourable periods and sell it at high premiums and make a harvest at the expense of nations and of legitimate business. The thing does not even work as between nations, as the country which finds itself so penalized takes immediate action to clear its position, by paying balances at a loss, and reducing

transactions of a future nature, so that this does not happen again. In doing so they establish new sources for their requirements, which become permanent.

Business runs in channels, like streams, or in paths like deer-paths, and unless again alarmed, or threatened with further loss, it continues to function in those new channels and to wear them deeper and wider. The only reasonable construction which can be placed on the causes for this depreciated exchange is the belief by the creditor nation that the debtor nation is insolvent, or so nearly so that the discount of 10% or 20% is a kind of insurance against total loss. The question is still unanswered: "Which nation makes the Profit?" No accountant has as yet come forward to balance all equations and prove his findings. In view of the fact that no nation in the western world had defaulted on its commercial obligations in some centuries, on any great scale, this seems the most vicious practice imaginable. What right have we to call this a scientific age, or ourselves an educated and clever race, so long as we tolerate such an iniquity? Gold is an international medium and its place in the scheme of things is to facilitate the transaction of international business at Par and without discount.

No honest man wishes to profit by exchange, or by something for which he has not given value, and no crook cares from what source his profits come: Honest men are drawn into this traffic like sticks into a whirlpool: In order to service his clientele, the banker is obliged to deal in this

traffic. In ordinary bank transactions between two distant cities and in the same country, the banker will charge as little as 1-16 of 1% to collect a cheque or draft, but he is obliged to avoid risks in these international transactions, because of the senseless and unscientific processes by which those who manipulate and dominate exchange, and under these conditions fix the rates,—so he quotes high enough to be safe, and exchange costs, to those who have to actually have it, will often run to 2% or more, over and above the average for a given period—equal to the net profit on a business deal involving the selling and delivery of goods, and still not an ounce of anything has changed hands. Those who make a business of this disaster are able to buy and sell so as to affect the market overnight, and without just cause, but always with an alibi. The wider the swings and greater the disorganization, the more he profits. He does not make two blades of grass grow where one grew before, and is a parasite of parasites. The victims are, as always, the public—the producer—the employer—he who is taxed from every conceivable source, and is trying desperately to sustain employment, and striving to keep society afloat; he is the victim—while those who get this ill-begotten wealth are increasing their power for further evil, and should be liquidated out of the economic life of the world. How long does it take this suffering world to learn and put to use the great lessons of the ages past? Nineteen hundred years ago this was demonstrated most effectively; —as polluters they were driven from the Temple at Jerusalem—or must we regard this too as "just

a pretty story"? Let us give this lesson a present reality by liquidating this evil and driving this intolerable scourge out of our economic life.

Our reactions to this evil are distrust and hate, which act as prophylactics against this dark disorder, which would render palsied the efforts of those who would keep our society afloat. How can one buy, even from those with whom he wishes to co-operate, when he cannot predetermine what he must pay?

The remedy is at hand. The only surviving reason for a continuance of this evil is that the nations are overspent, and that for lack of revaluation of our Gold reserves, the currencies are not fully covered, or secured, to enable balances as between nations to be liquidated in Gold, or in Gold securities equal to Gold. Revalue the Gold at 5 to 1, by Treaty, and its value, on this new basis, will be as sound and legal as it is now; and it will then fully cover the paper currency, and international transactions will be as just, equitable and well-understood as they are now between the States of the Union or the Provinces of this Dominion.

VIII

THE WORLD'S CURRENCIES

PUBLIC DEBTS OF NATIONS—EXCLUSIVE OF WAR DEBTS AND REPARATIONS AND ESTIMATES OF FOREIGN INVESTMENTS

COUNTRY	NET AMOUNT OF DEBT (in Dollars)	SOURCE OF DATA AND DATE	DEBT PER CAPITA	ESTIMATED INVESTMENTS ABROAD	REMARKS
UNITED STATES..	$16,801,485,143	World Almanac June 30, 1931	$134.30	$11,215,000,000	Encyclopedia Brit. estimate as of 1926.
GREAT BRITAIN	$36,077,458,714	World Almanac March 31, 1931	$779 00	$20,000,000,000	Sir Geo. Paish's estimate 1913. No gain since.
FRANCE....	$11,226,512,680	World Almanac March 31, 1931	$275 00	$ 8,000,000,000	Sir Geo. Paish's estimate as of 1912.
GERMANY ...	$ 8,874,800,000	World Almanac Sept. 30, 1930	$140.00		
ITALY.. . .	$ 4,763,246,300	World Almanac Dec. 31, 1930	$110.00		
BELGIUM	$ 2,238,216,920	World Almanac Sept. 30, 1930	$277.00		
TOTALS . .	$79,981,719,757				

NOTES:—

United States. .. Debt 14 times pre-war: Annual interest $611,559,704,—refunded at 3.56 per cent. interest.
Great Britain . Debt 10 times pre-war: Annual interest £293,170,000,—or 38 per cent. total budget 1931.
France ... .Debt includes internal and external:
Germany Debt includes $6,449,800,000 external, and $2,425,000,000 internal.
Italy . . . .Debt is $4,663,246,300 at 5%, and Morgan Loan of $100,000,000.
Belgium . . .. Debt includes public, external and floating.

THE WORLD'S CURRENCIES

The currencies of the world are secondary only in their importance to the question of war debts and reparations payment in any reconsideration of the financial position, or conferences held to deal with international matters. Britain and Germany are the two touchstones in the situation; their shortage of gold as security for their currencies, and their heavy obligations, of an internal or external nature, have paralyzed the contributions they were formerly able to make toward the financing and distribution of the world's goods in a manner upon which they formerly conducted business, namely, to finance purchases throughout the world as well as to give the service of the goods themselves—and delivery. From a composite study of the position, it seems clear that the obligations of Italy, France and Belgium would not bar their way to a total and quick recovery if the international situation were clarified. On the other hand, the United States, as a creditor of all these nations, although greatly distressed at the present time, is in a position to resume progress "immediately the international situation clears up". In the interest of the world at large, as well as herself, Germany must be placed in a position where she can pay her short and long-term obligations at once and liquidate

her reparation problem through a revaluation of gold, as set out in the general plan in this book—although in doing so she must recreate one more gold loan obligation to one or two of those nations who will find themselves in possession of more gold than is necessary at the time of the culmination of this plan. Such a loan would be within her reasonable and acknowledged capacity to pay and be completely removed from the stigmas attached to the present obligations. At great distress and loss to her people, Germany has been forced into a total liquidation of her internal war and pre-war obligations. If ever in the history of the world vested interests have been uprooted, it has happened in Germany. The financial, economic and industrial catastrophe that Germany faced with the occupation of the Ruhr, in January 1923, reached its ultimate crisis in September 1923, with the utter collapse of the mark, widespread unemployment and despair, producing a state bordering on social revolution. The paper mark reached an incredible depth and the output of paper currency reached its peak in December, at this figure—496,507,424,771,973,774,000 paper marks. Without gold security behind it, this paper issue of money became so worthless that a million marks would not buy a glass of beer (that created a real tragedy)—the upshot was: it was gathered up and burned. This was followed by the creation of the gold mark, which was fixed at 23.82 cents—and the rentenmark was also adopted, equal to one gold mark, or 1,000,000,000,000 of the former paper marks. This issue was limited to 3,200,000,000 marks, or approximately 750 Million Dollars.

By 1925 Germany's war and pre-war bonds, national, state and municipal bonds, having a total face value of 70 billion gold marks, were liquidated by this new shuffle to a value under the existing order, of 2½% of their former value for new holders and 5% for old holders. Mortgages, debts on landed property, shipping and railway lines were revalued at 25% in this new currency arrangement, and industrial bonds at 15%: That is not total liquidation but nearly so, and the German people have been called upon to make greater sacrifices, both at war and peace, than it has ever been the lot of a modern nation to undergo. We on this continent sometimes feel that we have gone through something in these last thirty months—and for many it has been tragic, but by comparison with the liquidation that took place in Germany, we have been in a veritable boom. From this position Germany has emerged to balance her budgets and through rigid economy—most of the time—has created a favourable trade balance as high as 770 Million Dollars in 1930, in order that she might have a national surplus with which to meet the annuities on 27,000 Million Dollars of war reparations on top of it all, as well as huge short and long-term obligations, chiefly to the United States and Britain, with which she financed her operation and her reconstruction. It must be conceded that no nation in history has ever tackled a seemingly hopeless problem with more courage and determination. It is not hard to understand how, after the cumulative grief of the last eighteen years, Germany balks now at the paying of reparations

which, through the unforeseen circumstances of this depression, as an added tragedy, makes it physically impossible for her to create those surpluses in international trade which would enable her to discharge her obligations—with six million unemployed on her hands to provide for as well. Quite outside of other unpleasant considerations, there is no such thing as international prosperity unless both Germany and Britain are in the picture;—that is a more vital problem for all the other nations than any other consideration. If Germany can only create favourable surpluses with which to pay reparations by maintaining a system of low wages at home, and dumping her goods all over the world at prices which close our plants, then we are "penny wise and pound foolish" to maintain such an international situation. Removed from the urgent necessity of such a policy, there is no valid reason for believing that the German industrialist is supposed to prefer low prices for his goods; under reorganized conditions he will cease to be a disorganizing factor in our own markets. Such a culmination could not fail to bring, in its train, peace and understanding and a deep appreciation of a new spirit of generosity. Such are the intangible assets out of which nations and new eras may be built.

Britain's picture is not in such drab colours: Her interest in war debts and reparations might be regarded as summarized in what is known as "The Balfour Note" to the United States on August 1st, 1922, which was as follows: "The policy favoured by His Majesty's Government is

that of surrendering their share of German reparations and writing off through one great transaction the whole body of interallied indebtedness. But if this be found impossible of accomplishment, we wish it to be understood that we do not in any event desire to make a profit out of any less satisfactory arrangement. *In no circumstances do we propose to ask more from our debtors than is necessary to pay our creditors.*" It is clear from this if the British Government still adheres to this policy, that a settlement of war debts and reparations, either by cash or by cancellation, will leave Britain in the same position in either case. What does threaten her position is that she is definitely obligated to the United States for $9,820,215,000 in annuities of principal and interest, payable between now and 1984. The Toronto *Globe* of April 25th last says: "Britain has remitted all of $6,000,000,000 owing by her Allies except about $1,500,000,000, or, 86% to Italy; 62% to France; 63½% to Roumania; 65¼% to Portugal; 68% to Greece and 67¾% to Jugoslavia."

(Note: The $1,500,000,000 is net, and does not include interest as shown in Chart on "Great Britain as Creditor and Debtor" in this book.)

Britain's difficulties are therefore largely internal,—if we can imagine war debts and reparations problems as being liquidated,—and they appear to consist of the following outstanding, essential factors: Firstly, as shown by the accompanying Chart on Gold Reserves, her position last October was that she had 656 Million

Dollars of gold in the Bank of England and 1,732 Million Dollars of outstanding paper currencies against it, or only 38% as much gold as paper currency. To a nation that has made a fetish of the thoroughness, equity and amplification of her finances, this is a new position for Mother Britain—and we all have witnessed the result;—she has been forced off the gold standard, although for the purpose of international transactions, gold remains the only available medium of settlement. The repercussions from this have been felt around the world, and its reactions here in Canada, as well as in the other parts of the Empire, have made big dents in many accounts that had still shown a surplus.

In the second place, Britain's greatest problem is her national debt to her own people—it has not been scaled down like that of Germany and France by deflation; it stood at 36,077 Million Dollars one year ago, or 779 Dollars for every man, woman and child in Great Britain. The interest on this alone is $1,426,741,122, or from two to three times her total pre-war budget. The only hopeful figure in this picture is the large item of 20,000 Million Dollars of British overseas investments, built up in the last century of trading. The interest on this latter item, however, is payable to the British private investor and not to the nation as a nation, and unless business is generally scaled upward to an entirely new level, it would seem that the only process by which she can meet her internal obligations is that of taxing her own people for such large amounts, and for such a long period of time, that the present generation can entertain no

hope of relief. The dogged nature of the Britisher is an invisible asset beyond estimate, but he should not be driven to despair.

Since the war we have had reconstruction and a period of prosperity that compares favourably with any period in the past: The following Chart will show how little headway Britain has been able to make since the war against this backlog of debt.

NET INCREASES AND DECREASES IN BRITISH NATIONAL DEBT

Year	Decreases	Increases
1923-24		£ 91,773,155
1924-25		34,251,565
1925-26		30,465,039
1926-27		7,029,803
1927-28	£ 12,017,049	
1929-30	31,000,000	
	£ 43,017,049	
Net debt increase	120,502,513	
	£163,519,562	£163,519,562

This indicates no headway against the handicap of debt—the present depression makes matters worse, at least from the point of view of taxation, and only a reorganized and liberalized economic system would appear to offer relief.

Any plan which offers only temporary relief, or aims to pass the troubles of to-day over until to-morrow, is not a plan at all—but only subterfuge, and if it does not provide the occasion for burning up these crushing international obligations and restore hope to the present

generation, then it does not meet the psychology of life, and is worthless. It may be argued that this plan is only "an idea"; to those who say this, we answer, look about you—the clothes you wear—the chair you occupy—the thousands of things in life which interest you were once embryonic and only "an idea", and in the processes of the ages have bcome "realities".

To reduce the content of the gold coin from the international standard is to debase it: Those who advocate a reduction of the gold content by any isolated action cannot have considered the nature of the effect of such a proposal. Debase a Twenty Dollar gold piece to half its gold content and, in practice, it would take just two of them to pay a Twenty Dollar account, leaving the holder just where he started from;—such a procedure would deceive no one—it is too easy to detect. Isolated action by one or by any two countries will not work;—an international medium cannot be altered by national action, but only by international and joint action of those nations who control more than half of the world's existing gold, and by an international treaty. The six nations involved in war debts and reparations problems, at September 1931, *controlled 73% of the world's gold: They are in a position to give a new meaning to the gold standard by an International Treaty confirmed by national government.*

To issue paper money with nothing behind it is counterfeit; we all know the value of paper, and a few signatures and nicely-engraved pictures of past heroes do not enhance the value of that piece of paper, unless it has behind it a recognized

reserve of gold which leaves its value out of question—for nations to overissue makes it no more honourable: To issue more paper money than the security in reserve is inflation, and invites most unfavourable reactions, with depreciated exchange and compromised national credits—and does not even pay. Hard driven by disaster, the Great Frederick was tempted into debasing coinage—it served his turn, more because of his extraordinary ingenuity than because of its worth, and eventually had to be corrected. The Confederate money issued by the Southern States, which seceded from the Union, did not have behind it a security—the result was it eventually reached the point of its actual worth, which was nothing. Most of us who are in middle life can recall our early youth when we used to buy what was called a "flashroll" of this money, as the old saying was "enough to choke a horse for two bits", and, by wrapping a good twenty-dollar bill around the outside, could pose as "real fellows". Germany's issue of paper of 1923, without gold security, suffered a similar fate, with the one exception—they took the precaution to burn it.

To those who still think that redistribution alone, without revaluation, would solve the problem —The American Metal Market, quoting Arthur Brisbane in *The New York American* of March 22nd, 1932, has this to say: "The average citizen does not know how things stood in this country at the end of January; how near we came to being driven off the gold standard, and what that would have meant. The Federal Reserve Bank is compelled by law to keep in reserve gold equal to

40% of all currency issued, including hoarded currency, which amounted to 1,500 Million Dollars at the end of January: This country, at that time, had about 200 Million Dollars only, free gold, to meet demands—it could not, for instance, have paid in full the gold that France had on deposit here."

Should anyone still question the potency of gold for security in paper currency, bonds, or debentures of private corporations, try the experiment of issuing the finest issue possible of these securities, but stamp across its face the clause "This issue is *not* payable in gold at maturity." Or, take our next most precious possession and stamp the issue "Payable on maturity in wheat", and such an experiment will demonstrate that gold is a fixture in the scheme of things, incapable of substitution.

In connection with the references made to America's requirement of 40% of gold backing, it should be borne in mind that this statutory requirement, in their case, is 40% of *all* money issued, including gold, paper currencies and all other forms of coinage.

Life's most precious asset is the confidence and trust of our fellowmen. Systems grown complicated for lack of adjustment may render innocuous the thinking of the masses, but is a poor substitute for the trust of one's fellowmen. A corporation may have the most wonderful plant, systems, processes and organizations, but if it does not enjoy the confidence of the public, based on sound, equitable principles, its stock, as an

investment, is worth exactly nothing. In like manner the world's currencies to-day suffer from shortages of coinage, and arrangements called "statutory requirements", and the consequence is —lack of confidence and depreciated exchanges.

Do not let us jump at the conclusion that this is a scheme of inflation; on the contrary, it is a plan for the revaluation of the basic standard of wealth —a long overdue revaluation of a standard which is the yardstick by which the three dimensions of every transaction are measured—GOLD, and it is a plan for the deflation of paper currencies not now covered by gold, either actually or theoretically. The only paper currency fully covered by gold is that of the United States; others are as low as 26% gold covering—Brazil has none at all, but still she is obliged to use gold as a basis in calculating transactions of both national and international character. There is ample room for variations of security in our private transactions, such as real estate and stock investments, but why should it apply to our currency as well? If the currencies of the world are backed by One Hundred Dollars in gold for every One Hundred Dollars of paper issued, at one stroke we banish insecurity from our national positions; end the excuse for hoarding, and terminate this farce called exchange, which has loaded the international situation with such uncertainties that international trade is paralyzed.

As an example of the international situation to-day, let us say that a Canadian importer wishes to purchase British goods: with a fluctuating British exchange and a fluctuating Canadian exchange, he cannot know what he is to be called on

to pay on delivery three months hence—under present conditions he might reasonably expect that the situation would be unfavourable to him at time of payment—the result is he does not buy: his shareholders have engaged him to do business—not gamble in exchange: that is not business—that is a game of hide-and-seek. We may want to buy more in Britain than we do buy, but those who expect to do so just place themselves in the position of the buyer and tell us how much business he could do on such a basis; the result is—the vicious circle widens, and it leaves ground for doubt how the Empire Conference at Ottawa can bring practical results, until these several currencies within the Empire are permanently stabilized. Just how business itself can be stable, when the money we deal in is unstable, is the question. Let us get back on to a new currency basis fully backed with gold, so sound and well regulated that we cannot get off it again, if we want to, and we have taken the first step toward the recovery we all wish. If it should happen that under such a new standard we still happen to have less money than desirable for the conduct of our national and international business, and are obliged to curtail our operations for that reason, that would be a legitimate reason; but for nations to cut their transactions down in order to balance export and import budgets, because of currency difficulties which are capable of solution—while our workers go hungry in the streets—is madness.

A sound business is one which is rated as having good reserves, and if these reserves are liquid, so much the better. Governments look with

favour on industries with reserves, but which government has any reserves itself? They spend every dime they get, even to the extent of budgeting their expenditures before it is determined that the taxes to meet them can be collected;—the result is that these recurring depressions catch Finance Ministers and Chancellors of Exchequers unawares, and under democratic forms of government particularly, retrenchments cannot be made in time to synchronize with the necessities of the time factor in human affairs. Suppose all the nations go on reducing their purchases abroad, and this gold and exchange position is not corrected in 1932—what then? If business cannot prosper, where are the taxes to come from? We cannot tax the increasing list of unemployed, or the closed business, and only for a little longer can we collect from those businesses which still survive—to-day's conditions are making it harder every day for them to run—that means more unemployment—and that means more taxes on those who can still pay. Was an era of man with a Thousand-year start ever caught in such a dilemma before? This is the vicious circle on "the grand scale".

To those entrusted with the responsibility of the direction of affairs, the business man might well say to-day, "We are not iron men—we are human, and we cannot stand this racket for another year." The answer to our problems, and their solution, may be found in the combined opinions of our best thinkers and writers who have given their answers already, but not in a composite picture: One has emphasized one point, and one another—they are all interrelated—they have a

common origin. The composite picture of the cause of our difficulties may be summarized as follows:

1. Reparations,
2. War debts,
3. Disequilibrium of gold,
4. Currencies inflated beyond gold reserves.

The scarcer money is, the more of a god it becomes in the lives of many men; they live on a false pedestal, fancying that it gives them a position of higher importance than those less fortunate. If we expand our world system, and the supply, it becomes less exclusive, and removes, in part, a temptation which we have witnessed in the last several decades—"to worship the golden calf". Remove the urge which creates this false halo, and raise the level of humanity generally by a liberalized system, currency and credit—and we have paved the way for a saner era.

IX

BRITAIN'S RÔLE OF WORLD BANKER

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Britain's rôle of Banker and Carrier for a large part of the world has been a herculean undertaking, which only those familiar with its magnitude can appreciate. Rediscounting for a relatively small percentage or amount the Bills or Drafts of customers' banks, drafts are attached to Bills-of-Lading and collected from the four corners of the globe in numerous currencies, (some of which are little known), and converted back into Sterling for shippers' final credit. This involves most accurate and painstaking calculations of timetables of trains, and ships, and even of the caravans which wend their way across the Himalayas, or thousands of other remote places, even including estimates of delays based on former experience involved in slow collections, conversions at distant points and final return to the Bank of England. A century ago the merchant princes, who had fleets of their own, were obliged to render this service to themselves; they had fixed ports of call for trade and barter where their cargoes could be sold from the ships, or the docks, and sometimes from the shores. Transportation by sailing vessels was slow, and many transactions took more than a year to conclude. Where stabilized currencies did not exist, payment was taken in other goods by the

process of barter and exchange which the trader estimated would be salable on his journey farther out, on the return journey, or in the home market. Owing to the length of time involved, and the lack of cold storage facilities as we know them, all kinds of perishable goods were almost excluded from the trade. Risks were very great, costs of such trade were very high, and prices were uncertain. Those traders who could calculate with greatest precision, or had the fastest vessels, or best captains, grew most in wealth, and civilization spread slowly and uncertainly.

Then came the railway and the steamboat; trade was speeded up—ports opened, and trade arteries and fixed routes established wherever they could be profitably maintained; then the banks undertook collections and the old class of trader disappeared, or reorganized himself into a steamship company, or into the present form of international jobber,—pursuing his calling with expert salesmen, samples and illustrated catalogues, and with definite promises of shipment and delivery. After centuries of haphazard trade, the world had finally reached a point where, through new inventions, banking facilities and better organization, a new era of progress was in sight, as contrasted with the ruthless, gipsy-like character of trading which always characterizes transactions of the barter and exchange variety, in which the seller has no established monetary standards back of him or on his side of the deal, and in which direction some communities are again drifting because of the partial breakdown which

has taken place through money shortages and drastic exchange rates. Calculate the thousands of destinations to which this modern banker service of collections applies, with all the involved factors, and one gets some idea of the magnitude of this undertaking. Add to this fact that this service has been extended to the Dominions and to all other nations during the last century, and on a fair and equitable basis, resulting in a stabilization and standardization of international transactions,—and one is able to trace the improved moral standards of the last century in business to their true source. This stream of gold has become the bloodstream of the nations, circulating back and forth on their mission of progress, with great speed, and with a reliability that would appear to have founded the modern credit system which could not have existed under the precarious conditions which preceded it,—but is built on confidence, born of a certainty of honest and faithful performance, and adherence to contract, regardless of loss or gain.

National and international trade expanded manifold because of these causes during the last century. More actual development has been made in a single century than in all previous time of which we have records since our western civilization began. The machinery to handle the banking end expanded correspondingly. Until 1914 Britain's ample gold reserves provided the necessary security for the credits, or bales of white Sterling money, which, like the white sails of the former fleets of traders, carried trade to the remote corners of the earth;—then came a new scourge—"a world war".

Resolutely facing the burdens of arming her citizens, financing many of her allies, and the purchase of her own huge requirements, at prices many times their former or intrinsic value, Britain dissipated her resources in a struggle which, on account of the bravery and genius of her opponents, continued for a length of time, and on a scale calculated to leave the decision to the combatant who had the last issue of rations and shells. Intoxicated with the newborn value of everything still unused after the conflict—due to the temporary suspension of the normal laws of supply and demand for those four unhappy years, the Treaty of Versailles was concluded: For the moment, this appeared to make good the promise that the vanquished would restore to the victors "the years which the locust had eaten".

This book is not concerned with politics, or with war or its causes or its settlement, except in so far as it has a bearing on the problems with which we are now urgently concerned. In seeking an analysis of the impasse in which western civilization finds itself, it is not possible to trace back over the intervening years without finding the focal point of all change dated from 1914. Only by tracing carefully backward, from effect to cause, can we hope to make a safe analysis of our position, —and without a correct analysis we cannot hope to find a remedy. Mankind is more concerned in finding the remedy than possibly any other issue in the last fourteen years. Britain's position appears to hold the key to much we seek,—so let us step forward in 1932 and look back.

As distinguished from the erratic movements we now witness in international finance, exchange and trade, Britain's policy—when she was so placed as to allow that policy to function—was to maintain an even balance, and keep finance undisturbed by various known and proven systems. One was to keep discounts at a low rate and with a minimum of change; another was to avoid "inconvenience" in the settlement of balances as between herself and nations which were in her debt at the end of settlement periods. If, for instance, Canada had bought, in a certain period, a million dollars more from Britain than she had sold to Britain, Canada would ordinarily be required, under the gold standard, to ship to Britain a million dollars of gold to balance the account at the end of that period. In practice, if this was not convenient, because of shortage of the metal, or for any other reason, Britain did not press for gold settlement, or put her customer at a disadvantage by putting her customer's currency at a discount, but used her credit balance to loan the Canadian Government the million dollars owing, or possibly loan it to a province;—or she might buy a million dollars of Canadian Pacific Railway securities; or make any one of a score of equally sound purchases, in preference to pressing for unneeded gold which brings no interest returns unless reloaned. These securities would be taken home, instead of the gold, and the account balanced again. Later these securities would find their way onto the London Exchanges, and the British investors, advised as to their worth, would absorb them by an almost invisible process. This accounts for the

almost endless variety of securities on the London market, from every remote land and island on the globe. The reactions from such transactions were very favourable in many ways; they created an interest in, and understanding of, remote countries and their industries, and often paved the way for developments and expansion by them, through making a staple market for their securities in the London money market, where further securities might also be sold. Some such countries would otherwise be unable to create a market at all. This established a bond of interest like that existing between a manufacturer and a customer who, with consent, settles his monthly balances on preferred terms. Such international transactions over long periods explains, in part, the item shown in the accompanying Chart dealing with "Internal Debts and Foreign Investments". Sir George Paish estimated Britain's overseas investments in 1913 at 20,000 million dollars. This has not advanced since, and may have been reduced, as the receipts on account of "Interest on Foreign Investments" in the 1930 records show that Britain received in that year £235,000,000 from this source. In dollars this is $1,142,641,000, which is just a little more than 5% on the principal sum mentioned above. Since the war, Britain's war debts and interest requirements on war debts, plus internal debts, have become so heavy that she is not so able to pay the gold demanded by her creditors, and at the same time extend to other nations, and little countries all over the globe, those generous terms which formerly characterized her world trade, in which she acted as Carrier, Broker and Banker.

Now it does not necessarily follow that the restoration of the world's prosperity is contingent on a quasi monopoly of the world's trade and shipping by Britain, by any manner of means, but it does follow that those who propose to set themselves up as the money centres of the world, or divide that responsibility, will find it incumbent upon them not to rest their case solely on the possession of a quantity of gold which would establish only their primary qualifications to fulfil that trying and intricate responsibility, but to measure up to the full requirements by discharging that responsibility with equal facility and fidelity, and with a liberal policy which does not view any business as sound unless it recognizes the principle that all transactions must carry equal advantages to both parties concerned, and not demand settlement in those standards which the debtor does not happen to be flush of at the time. Any substantial variance from the policy which has characterized the last century of world trade along the lines illustrated, would restrict it to those parts well heeled with gold, and leave out of the picture, and undeveloped, a thousand remote or less fortunate peoples, whose contributions to the world's trade and progress is great in the aggregate, and thus leave them stranded in a capitalist world to which they would become embittered. One does not need to look far to find this influence at work even now, or speculate as to what form of reaction is taking place in their outlook upon society. Time is the essence of things; nations work without surpluses, and adverse situations soon develop because of day to

day needs for treasuries dependent on trade volume for their life blood and for the maintenance of order. The interval of 1929-1932 is a long one, in which no one is carrying on along the old, safe lines. What price is offered for Britain's seat on the world exchange?

X

WORLD OPINION

WORLD OPINION

The opinion of the world's greatest statesmen, thinkers and writers is of utmost importance in connection with any plan for the rehabilitation of world finance, the liquidation of war debts and reparations, or the consideration of the gold standard and of currency. The acute situation now present has resulted in more activity in the way of writing and of conference than at any previous time, and it does seem fitting that, out of a collection of these writings made since the beginning of the year 1932, a few of the most important should be reproduced here.

Right Honourable Sir Robert Horne, former Chancellor of the British Exchequer, has written a long article, reproduced on January 29th last in The Toronto *Telegram,* as follows:—

> "The world we cherish cannot endure much longer on these terms. It is vital that the statesmen of the various countries should make a resolute and successful effort to free us from the meshes in which we are gradually being strangled. If this generation goes down to destruction, as it may go, that will be due to its own folly and nothing else."

After pointing out that the nations, with the exception of the United States and France, did not have enough gold to meet their international obligations, he proceeds:—

> "No such surplus could ever have been accumulated in the ordinary course of international trade. The payment of

reparations and war debts is in the main responsible for the lobsided distribution of monetary gold. It is plain that for much of the trouble from which humanity suffers to-day, the excessive payment of reparations and war debts is responsible. There are many who, looking at these facts, declare for a complete cancellation of reparations and war debts. They reinforce their view by pointing out that Germany can no longer make payment and that she now refuses finally to do so—regarding it as an immoral exaction which ought never in future to be demanded from her."

Then again:—

"Mr. Herriott is inflamed at the idea that German signatures to the Young Plan can be so lightly disavowed. 'France will be generous,' he says, 'but she will not be stupid'. In the face of these contending views, it would seem as if nations had arrived at an *impasse* from which there was no escape, but I cannot believe that sane men are going to let the world reel helplessly to destruction."

And again:—

"A broken Germany cannot help the world. She can only be sore and a menace. On the other hand it is unreasonable for her to repudiate her signature and say she will never implement any of her promises."

After pointing out the German view that there is a young Germany that had no part in the war, he says:—

"There is a young Britain that had no responsibility for the war but is shouldering grievous burdens as a consequence of the acts of others, and Germany cannot escape the common obligation in this respect."

He adds:—

"that he is confident France will be generous if Germany will cease to be intractable; that Italy has already shown a keen disposition to meet the difficulty and that once these nations arrive at this point he does not believe the United States would be less generous to them than they to each other."

Sir Robert concludes his article with the following summary:—

"We have arrived at an hour of late when, if vision is wanting, the civilization we know will perish."

Ex-Premier Pierre Laval, of France, addressing the Chamber of Deputies on January 22nd last, said:—

"France considers the Young Plan a definite settlement of the reparations problem. Therefore, France cannot consent to any new arrangement, but would agree to a new moratorium on reparations. We are willing to co-operate in the recovery of Europe on condition that all moral obligation is not banished."

The New York *Telegram* says:—

"Unless Mr. Hoover has the wisdom and the courage to throw the full strength of American leadership into a solution of the interlocked debt-reparation-tariff-disarmament problem which Europe cannot possibly handle alone, the alternative is as black as he described it last summer."

The *Review of Reviews* has an article by Mr. Frank Simonds in which it says:—

"Almost fourteen years since the close of the World War, the question of who is to pay the cost of the struggle remains open. Only two facts seem fairly well established: the United States still is resolved not to cancel war debts; the German people are equally determined not to pay reparations. The Germans have paid the Allies in round figures 2,000 Million Dollars; the Allies have paid the United States an equal amount; and the United States has lent Germany 2,500 Million Dollars. In practice, we have lent Germany all that she has paid her creditors, and Half a Billion besides."

This article then discusses at length the involved questions of commercial debts and, after pointing out that the British and Americans have advanced 4,000 Million Dollars to Germany which they cannot now get back, Mr. Simonds proceeds to say:—

"Both the British and Americans are 'whipsawed'. The American people must make up their mind that they are not to get any more payments on account of war debts. They may cancel, or refuse to cancel, but that is a merely mechanical operation. Those people who have come from Europe recently, agree that everywhere the war debts are regarded

already as having the value of Fenian bonds or Confederate currency. For all Europeans the Hoover moratorium of last June rang the curtain down upon war debts."

The Toronto *Star* on January 8th last reports a semi-official spokesman closely in touch with the German Government as saying:—

"The Young Plan is dead and done for, and Germany cannot accept restoration."

Ex-Premier Pierre Laval, of France, addressing the Chamber of Deputies on January 22nd last, said:—

"Germany was not the only place worried by debts and trade difficulties."

He added:—

"France will not forgo her right to reparations from Germany; France faces a double duty, the duty toward the generation that went through the war, to sacrifice nothing of what is due us without a corresponding remission of our own debts; and the duty to future generations, to subordinate all agreements to a just balance between conditions of production and existence."

The American position on War Debts and Reparations was the subject of a memorandum from Secretary Stimson of the United States to Ambassador Claudel, and stands as follows:—

1. There is no connection between war debts and reparations.

2. The European powers must take the initiative on reparations.

3. A demand for a new debts moratorium could not obtain approval in Congress, and the Senate opposes a cancellation or reduction of the debts.

4. The United States Government would look with displeasure on the formation of a united front by the debtor nations.

5. The existing debt arrangements, having been concluded separately, can be eventually revised only by separate accords.

Newton D. Baker, former Secretary of War in the United States, speaking at Cleveland on January 11th last, is reported as follows:—

> "The reparations question is one 'out of which anything can happen', for the danger of war is greater now than in 1914."

The *American Metal Market* of January 8th last reports Mr. Walter Lippmann, former Editor of the New York *World,* as saying:—

> "There would be no economic stability until there is peace, and that the World War is not over while the question of reparations and war debts is still alive. If the world can make peace and settle war debts and reparations, there will be such a return of confidence that prices will rise permanently."

Great Britain, in a note to the League of Nations' Economic Experts, reported from Geneva on January 15th last, says:—

> "That a settlement of intergovernmental debts and redistribution of gold supplies is essential to a restoration of normal trade conditions."

The note adds:—

> "It is the conviction of His Majesty's Government that satisfactory settlement of the question of intergovernment debts is an essential condition for the revival of confidence which will restore the normal movement of capital. Achievement of such a settlement is the most important contribution that can be made by the governments concerned towards the restoration of normal world-wide prosperity."

Mr. Neville Chamberlain, Chancellor of the Exchequer, told the House of Commons in London on February 2nd last:—

"That the Government believes cancellation of war debts and reparations was the best means of settling comprehensibly the reparations difficulties."

Addressing the Trade and Labour Conference on January 26th last, at Ottawa, Mr. R. B. Bennett, Premier and then Finance Minister of Canada, said:—

"Sometimes we are a little unfair on the question of war debts cancellation, as it was sometimes not considered that for every dollar wiped out in war debts, a dollar was added to the taxation of the creditor nation."

Mr. George P. Auld, who assisted Mr. Owen D. Young, addressing a meeting in New York December 8th, 1931, said:—

"The average annuity of 475 Million Dollars payable by Germany under the Young Plan amounts to $7.50 per head, or 4% of the 1925 National Income, and that, while a sizeable burden, was a long way from being economically impossible."

He added:—

"it was primarily a political problem—one which offers a continuous threat to international stability."

And again:—

"it would inevitably become the political football of domestic German politics, and that it would bring recurring crises."

Mr. Frank H. Simonds, in an article "Can Europe keep its Peace", says:—

"The Hoover moratorium put a stop to something that cannot be put into motion again. The twin Humpty-Dumpties of reparations and war debts have tumbled definitely."

Premier Mussolini's newspaper, *Popolo D'Italia,* on January 12th last, in an editorial, called upon the nations:—

"to do something about the nations' war debts situation immediately if they want Western civilization to survive."

Some Comments on the Gold Position

The London *Observer* says:—

"Gold or no Gold, trade must go on, and we are getting back to primitive methods."

It quotes Spain as building Fifty Tank Steamers for the Soviet in exchange for petrol, and also that the Hungarian Weavers' Association has been negotiating in England for spun cottons and is offering hogs in payment.

Speaking in Toronto on March 3rd last, the Right Honourable Winston Churchill, who has occupied at various times nearly all the most important British Ministries, stressed the present and immediate need of "an international conference upon the world's international position", and said:—"That the crippling of gold as an international monetary and commercial medium would have to be dealt with".

Mr. Donald M. Marvin, Ph.D., Economist of the Royal Bank of Canada, told the Canadian Club on February 22nd last:—

"That unless countries cease their unprecedented hoarding, expand their credit and create an upward trend in prices within a reasonable time, a new system of money and exchange may be developed; this new system to be a managed currency stabilized in relation to price levels."

In conclusion, he points out:—

"that as gold accumulated in the creditor countries, France and the United States, these countries did not increase their volume of outstanding credit; they permitted it to continue to contract. In the United States a decline since October has been at the rate of 6,000 Million Dollars per year contraction of credit, or more than 25% per annum."

Four more years like this will extinguish credits.

The Right Honourable Sir Walter Runciman, President of the British Board of Trade, stated on February 23rd last:—

"that recognition of gold as the only final means of paying reparations and war debts was declared to be the prime cause of an artificial increase in the value of gold, therefore an artificial decrease in the value of commodities,"

Also:—

"that not only we in Europe, but many profound business minds in the United States are gradually recognizing that the mere payment of reparations and war debts, apart from the principle and rights behind them, is a grave disadvantage to the industry and commerce of the world."

A Few General Observations

United States Department of Commerce:—

"Measures in process in various countries early in 1932 foreshadow still greater contraction of international trade during the years ahead, including many markets of primary interest to American exports."

The *American Metal Market*, in its issue of March 24th last, says:—

"There is bound to come a time, sooner or later, for a powerful counter-movement for liberalizing business and industry, and releasing it from controls which do not accomplish any known purpose save a deepening of depression and stagnation. If we wish to help ourselves out of the present impasse we must go to the root of the ills and eliminate

the causes of trouble. We must formulate an entirely different course of action and go to work with a will in a wholly different way. The sooner we get at it the better."

W. L. Clayton says:—

"Over one hundred years ago Thomas Jefferson said that the way to encourage purchases is to multiply the means of payment. In this country we have adopted the opposite policy. A disinterested onlooker, familiar with the post-war financial position of the world, would almost be convinced that we had set about deliberately to destroy practically all means of payment available to our foreign customers."

Henry Pratt Fairchild, in February *Harper's*, has this to say:—

"Discover the way to restore purchasing power and you have discovered the remedy for the existing depression. Find out how to maintain purchasing power and you have found out how to prevent depression in the future."

Mr. Edward A. Filene, Boston economist, has reported from Washington on February 18th last:—

"Restoration of the buying power of the American public is the biggest job facing modern society in which mass production is dominant. Widespread wage cuts in industry definitely make matters worse. The buying power of the American public has decreased by 25,000 Million Dollars in the past year. We shall never emerge from this slough of despond until buying power is again restored; all our industry and economic life is geared to the higher standard of living. Our buying power must keep pace with our mass production unless depressions are to be periodic."

Mr. Myron C. Taylor, Chairman of the Finance Committee of the United States Steel Corporation, speaking to the Boston Chamber of Commerce on March 24th last, says:—

"We have learned that the false gods of our ideals, the gods of size and speed, have proven powerless to help us. Bigness has afforded us no lasting happiness, and speed no economic security; hastily-gained knowledge no wisdom and swiftly-moving pleasures no serenity. We should reaffirm our faith at the altars of simplicity, sobriety and a better human understanding."

Continuing, he adds:—

"The economic balance that ordinarily exists between nations and between industries has been shattered by the stupendous shock of war and its aftermath, the extent of which we realize more clearly now."

And again:—

"In the endeavour to find a solution of our present troubles many plans have been advanced, some of them palliative, some constructive, but, unfortunately, many ill-advised and destructive in character, like the nationalization of industry and the artificial fixing of commodity prices through attempted stabilization by government control, and they invite defeat at their inception because they are contrary to the law of supply and demand."

In his concluding remarks, he adds:—

"We are not yet lost. By the very extreme of our misjudgement, rather than by good judgement, we have been forced to stop, look and listen, before our tottering economic structure falls beyond repair."

Sir Josiah Stamp, one of the world's outstanding economists, director of the Bank of England, head of one of Great Britain's largest railways, and adviser to the British Chancellors during the war, has found time to address some important audiences in Canada and the United States, during April, 1932, on the social and economic situation. Having been associated in the work of drafting both the Dawes and Young Plans, his observations, aside from their usual clarity and lucidity, are of particular interest at this time. A few of the choicest gems of his utterances are herewith given:—

"We are engaged in rebuilding the world, in rebuilding society after a military and financial disintegration."

"The reluctance to submit to methods of control was hampering recovery of trade."

"I have noticed a loss of faith in institutions, men and intellectual solutions."

"When gold becomes relatively plentiful, its value will fall and commodity prices will begin to rise."

XI

THE FUTILITY OF ISOLATED ACTION

THE FUTILITY OF ISOLATED ACTION

On March 3rd, 1932, the Honourable Winston Churchill delighted an audience of 8,000 in Toronto with a most interesting and instructive address in which, as usual, this master of the art of platform oratory summarized his views on the world's position and particularly as applied to the coming British Empire Trade Conference in Ottawa in July of 1932. In view of the fact that he confided certain former secrets to his audience, it cannot be thought amiss to mention them here. He referred to a discussion with Mr. Lloyd George after the early conclusion of terms with Germany, in which Germany was bound to pay over to the victorious Allies 33,000 Millions of dollars. He pointed out to Mr. Lloyd George that this was entirely beyond Germany's capacity to pay, to which Mr. Lloyd George replied that "he was aware of that but that after the people had cooled down it would, in the natural course of events, be adjusted from time to time."

This revaluation plan embraces those Six Nations most highly industrialized, and therefore more sensitized to the unfavourable reactions of dislocated finance. They are the nations directly concerned with a final settlement of the war debt and reparation problem; this renders joint action by them as of utmost importance if a solution is

to be found. Their combined holdings of 73% of all gold render any revaluation of the metal by them removed from the possibility of successful contentious action by any other group. In a large measure the success planned is contingent upon united action with every one of the six in accord. A success may be looked for with as many as two dissenting, but those two cannot be France and the United States.

Mr. Churchill suggested that the United States and the British Empire could reach some sort of arrangement which would correct the present monetary upset; others go so far as to hope that the July Conference in Ottawa, of the Empire, could tackle a controlled currency problem alone. It is a world problem, and must be settled (in the first instance) by those having common problems and objects. Any reduction in the scope of the conference, from those six suggested, will reduce its chances of complete success by just the amount those left out could have contributed to its success. Let us cease planning isolated action, or isolated offensives, and all join in a spirit of good will and co-operation, in this, the most critical time Western Civilization has had to face. *The interests are nearly identical* in the problems to be solved; *the will to co-operate* is in evidence on all hands; *the people are looking for a solution,* and will not be satisfied with assurances, platitudes, or nostrums; nor have they any faith in isolated action, or the formation of new groups, or action calculated to create new dissensions *for them to battle over on other fields.*

XII

A NEW EMANCIPATION

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Threescore and ten years have passed since the immortal Lincoln proclaimed the freedom of four million bondsmen. History has hallmarked this masterpiece of statesmanship as unique in the annals of time. Three added years of anguish and strife sealed it with the blood of the flower of the nation on the fields of battle. Hundreds of thousands of the pioneer stock of the "land of the free and home of the brave", faced with the glorious prospect of opening up a land of promise in the New World, forfeited that prospect to reclaim those ideals of the early fathers who founded the nation to rededicate their land by a new birth of freedom for all men. They gave that last full measure of devotion, and sacrificed their all,—that for all time there shall remain for us a rich heritage in an abiding ideal of freedom that shall not perish from the earth. Idealism without realism is of little avail. We have learned nothing from this epochal event which we can afford to so soon forget: The price we must pay to keep aflame those ideals for which they paid so dearly is not alone by brief periods of fervour and of zeal, but by unremitting toil and eternal vigilance lest a worse thing befall us.

In this last great tragedy of futile strife, a hundred times the number of these slaves had

entered the conflict as freemen, and returned as slaves to an economic system, although still remaining clothed in the outer garments of democracy. Their case is sealed in threescore years of unremitting toil and servitude. There is little between a bondage which feeds, clothes, and shelters well, but takes all of the proceeds of their time and toil, from that which now permits these new millions of slaves to feed and clothe themselves less well, but takes from them all that remains of the fruits of their toil, leaving them stranded so that all the amenities of life have disappeared. Under these conditions, and under this new tyranny, man's reactions turn him either to hopeless servitude, or his thoughts turn to hate of all in the social strata above him. We cannot contemplate this with equanimity or indifference, since it threatens relentless eruptions at the very base of society, though for truth his unrest is a virtue, as it is the same urge for freedom, and liberty, which has saved the world from tyranny and oppression in all ages, and has rebuilt a score of times the very structures upon which we now live.

Life is unending strife; more forms of slavery than one beset us;—there is slavery to man,—slavery to self-slavery, to habit-slavery, to a circumscribed man-made, stinted social order: all these debase. There is but one form of slavery which does not debase,—this is slavery to the service of humanity; in this contest all can win—all gain—there are no risks;—the ranks are not overcrowded.

By the Young Plan Germany is to pay 27,000 Millions of Dollars in reparations in 60 weary

years. Those who pay the last half of this will know not for what, or why they pay: Except in degree, the other nations are in like position. Under existing conditions of our economic life, we may expect *a continuance of this present scourge,* or a *breakdown* each *five to ten years,* at best. Nothing short of further moratoriums, and readjustments in such times, will keep alive these debts, which in themselves contribute much to bring these recurring setbacks. What a prospect of bondage, gloom and social eruption this next century holds for man. It is as if a man, in a moment of thoughtlessness, had contracted a plague that threatened all about him. The flower of that manhood which we looked to for leadership is gone: The margin between shortage and plenty is, under our wasteful system, said to be a small one:—Their absence has tipped the scales against us.

To those who have known the ecstasy of service, or of bringing food, or hope, to those less fortunate, caught in the jaws of unrelenting fate: seize with both hands time's greatest chance to strike the shackles from the feet of those whose only crime has been to walk the road to duty as they saw it,—and free these bondsmen, and their children still unborn—so that all people, under God, shall have a new birth of freedom, and that "government of the people, by the people, for the people, shall not perish from the earth."

Hold high the torch that has been thrown to thee,
To light the path of all humanity:—
Let Lincoln's claim to fame be re-unfurled,
Shout out his words of hope to all the world;—
For if this noble urge dwell not with thee,
Where may we look, where hope for Liberty?

XIII

OTHER PLANS

OTHER PLANS

Several plans have been put forward for the rehabilitation of the world's disorganized economic system and the restoration of financial stability, both federal and international: Disorganization of our order may produce disorganization in our thinking. Those in positions of highest responsibility have been so driven by the necessities of the moment that it is not to be wondered at that their days are not long enough to include as comprehensively as they would wish all of the endless problems which have arisen for solution. There has been an evident tendency in several countries to solve the difficulties by inward and isolated national processes; in so far as these are economically sound, they have served to check and regulate the decline, but it must be admitted that the decline goes on and the international situation is more clouded and obscure than ever. It is right and fitting that we should review a few of the most outstanding and promising plans which have been advanced for a recovery. Of one thing we can be certain—those who still say we will emerge in time from the depression, as has been done from all former ones, and regard it as another cycle, either have something to unload, or are like the small boy whistling as he passes the graveyard at twilight, "doing it for bravery".

The sciences of to-day are built on the findings of yesterday, but unfortunately this does not apply so effectively to any school of economic thought, as for the most part these have their origin in eras varying greatly from the situation we face to-day. We are face to face with a brand new combination of circumstances which have to be grappled with and solved by methods not included amongst the old remedies. How many amongst us saw with clear vision just what the excesses of 1928 and 1929 were leading us into? This cycle has swung into new nebulae in which even the bears are being caught in the doorjambs of closing banks, while those whose faith in their country still prompts them to invest their residues, find that their investment has brought them a loss before they have even taken delivery.

Even democratic governments become immobile, compelled to aim at keeping things as they are; looking to the right to see that no political disadvantage takes place, and to the left to ward off new encroachments. What we seem to need is a new social mind, as all old panaceas have failed to do more than check the decline, and the old school of thought is unequal to the task of correcting an international situation which grows more desperate with each New Moon.

Announcement was made on January 15th, 1932, that a broad section of leading economists in the United States, after two months of study, concluded that in order to stop downward trend of prices, return hoarded money to the banks, restore security values and begin recovery, the following

was to be done, without taking European conditions into account:—

1. Reconstruction Finance Corporation to deal more effectively with emergency situations.

2. Proper economy in municipal, state and national budgets, and increased taxation.

3. Liberal Federal Reserve Policy aimed at checking credit contraction, and to encourage some expansion.

4. A commercial banking policy co-operating with the reserve banks in checking bank credit decreases and encouraging increases.

5. An increase in sound investments.

6. Co-operation in aiding necessary Treasury financing.

7. Borrowing from Federal Reserve Banks when necessary to meet these and other sound needs.

A prominent American economist advocates that the quantity of gold in the dollar be varied from time to time, in keeping with commodity prices as commodity prices go up or down. This would seem to offer two variables in our business equations instead of one, and might have the effect of reducing our calculations to an art similar to that of a gunner on a ship shooting at a target in which both ship and target were gyrating.

Another plan advanced to overcome price declines is that contracts made over long periods be payable in greater or lesser moneys, according to the variations of the Bureau of Labour Statistics, viz.:—If the index number at time of purchase be 100, and 90 at time of payment, contract would be concluded on the basis of 90. This would seem to deprive business of the opportunity and the interest which that opportunity carries, of buying and selling at favourable periods, and prevent loss or gain from any purchase or sale agreements other

than what can be made in production and between raw material and the finished article. There are amongst us a large number of people whose value to business would be at an end under such an arrangement.

Col. Leonard P. Ayres, addressing the American Economic Association, and the American Statistical Association in Washington early in January, said:—

"We have had two former depressions like this one. One in the 40's and one in the 70's. They were the longest and most severe in our history—both lasted six years; both caused state and municipal default, debt repudiations, and insolvencies on a vast scale."

He said:—

"This depression is following the pattern of those former ones. To escape in part, there are five conditions which are necessary for recovery:

1. Recognize that deflation of commodities, securities and loans has gone far enough to make a turn possible.

2. Realize the fact that we can start back without waiting for Europe.

3. Congress to act promptly on Reconstruction Finance Corporation.

4. Widen powers of Federal Reserve system.

5. Congress to quickly conclude budgeting, etc."

He adds:—

"The depression is not half over, since recovery is always slower than decline,—and the latter has not ended. The gold to which prices are tied is abnormally distributed amongst the nations, and that maldistribution, caused by tariff barriers and war debt payments, is not yet in process of being cured."

He adds:—

"We squandered our way into this depression, but we cannot squander our way out."

Benjamin M. Anderson, Jr., economist of the Chase National Bank, says:—

"World credit will be restored quickly and trade will revive quickly if we can do three main things:—

1. Get a reasonable settlement of the reparations problem.

2. Get a reasonable settlement of the economically-related problem of inter-allied debt.

3. Get trade barriers lowered so that goods can move in payment of debts, so that the nations can make markets for one another."

Albert H. Wiggin, Chairman of the Government Board of the Chase National Bank, says:—

"The Bankers have done their best. The German debtors are doing their best. But inter-governmental co-operation is necessary to straighten out Germany, and to straighten out the world."

Royal Bank of Canada:—

"Liquidation of depression depends on restoration of 1924-1928 price levels. At this point debts would become bearable, and those nations off the gold standard would resume payments in gold. A staple medium of exchange is necessary to normal international relations, but it is even more important that money should represent a reliable measure of value."

Wage Cuts as a Solution

Wage cuts in all the affected countries, plus reductions of staffs and employment are the actual methods used of meeting conditions that have been put into effect. This remedy is one which we can appraise without much speculation as to the consequences,—we have the consequences now in unemployment on "the grand scale"; relief measures—to avoid consequences best left unmentioned, and a widening of the vicious circle

by the partial paralysis of 75% to 90% of the purchasing power of the countries, which, after all is said and done, is largely the purchasing power of the worker and the farmer.

Mr. A. C. Ernst, in the *American Metal Market,* makes some pointed and valuable comments as follows:—

"High costs from procrastination and lack of positive programs should not continue. Many of the artificial palliatives will have to go into the discard, for the year has furnished adequate justification for the belief that better times are not 'just around the corner'. America, as the largest creditor nation, must co-operate with the various countries to plan an orderly liquidation of international obligations. There is always a natural human dislike for paying debts, and especially so if the debt resulted from some long forgotten or unpleasant transaction."

An ingenious scheme is one expounded by Silvito Gesell, a noted German economist, who has a new coinage called "WARA"; this is intended to prevent hoarding as it is evidently of such a nature that it deteriorates more quickly than would solve the hoarder's problem.

A prominent British authority says:—"that the remonetization of silver will be one of the chief items for the Imperial Conference in Ottawa in July." It is claimed by this authority that an arrangement between the United States and Great Britain could establish the bi-metallic standard and help solve the gold shortage. Proposals for including silver in the metallic standard are being taken very seriously in the United States, and the House is investigating its merits. The world's silver production in 1931 dropped over 50 Million Ounces to a total production of 195 Million Ounces, much of which is required for commercial use, so

that its total contribution at its present value would not exceed 60 Million Dollars per year, if all were used in currency. Even at a fixed and higher price, its contribution as a standard would be totally inadequate to even effectively assist in meeting present shortages, and while it seems one of the most reasonable proposals brought forward, it would create contending interests in the international situation, and give rise to more contention than its inclusion would solve. One of its chief advocates advances the argument, and with much merit, that the gold reserve should be investigated as to its capacity to serve the ends in view, and if the findings are in the negative, silver should be considered on its merits as to how far it could support the situation created by the shortage of gold. In the congressional investigation at Washington on the silver question, one of the prominent witnesses expressed the view on March 7th last, that any international conference called to discuss world economics and silver must include a consideration of war debts and reparations, and gave it as his opinion that these two are the primary cause of to-day's ills; while another prominent witness testified that, in his opinion, an international discussion of silver alone would be "fruitful", and he did not believe in debt cancellation but rather in the sanctity of the present undertakings.

It is argued in favour of silver that there is a gold shortage coming. The report of the League of Nations' Gold Delegation has given this as its finding, also that if the level of prices fell, less

gold would be required to support a given amount of currency, credit and trade.

Failing a better way, the creation of a bi-metallic standard, with silver included, might become a necessary step toward recovery, but it is admitted that it bristles with dangers, actual and theoretical—actual in the sense that it might not greatly support the gold standard, and also that it would create opposing interest where singleness of purpose is required—and theoretically because it would work like two captains on a ship and is a reversion to the pagan theory of "many gods".

XIV

IS THIS A DEPRESSION OR A COLLAPSE?

TRADE CYCLES OF THE UNITED STATES DURING THE PAST 100 YEARS

Depression Periods	Depression Duration (Months)	Expansion Periods	Characteristics of the Depressions and Ensuing Periods of Expansion.
1837—1843	72	....	1837 was preceded by eighteen years of great improvements—the building of railways, canals, new towns and cities—foreign borrowing, speculations and the growth of population. Inflation of land, cotton and security prices and scarcity of specie in the interior, with the consequent mass production of paper money, brought about the panic.
		1843—1857	This period of expansion witnessed the Mexican and Crimean wars, with good markets for products; feverish railway building; booms in land, sugar, cotton, railway shares and California gold schemes.
1857—1860	24	.. ..	Toward the end of the expansion period there was wild speculation in development schemes, until the failure of the Ohio Life Insurance and Trust Company marked the beginning of this crisis.
		1860—1873	Four years of Civil War activity were followed by strenuous efforts to make up for the depletions of war. A new era of factory building in the North and settlement of farming lands in the West by a million discharged soldiers. Still more railroad building; business expansion and again an orgy of speculation. Scarcity of gold and currency.
1873—1879	72	.. ..	Over-development and over-speculation in preceding years brought about a money shortage which precipitated six unhappy years;—the most severe depression suffered in a century
		1879—1884	Gold resumption and natural forces restored business. South begins recovery. Increased production and good markets a home and abroad.
1884—1886	22	. ...	Hard times in Europe undermined the American situation and again speculative excesses and failures of large financial houses brought on a crisis, and two years of contraction followed.
		1886—1893	A fair level of prosperity continued in this period; marked by heavy capitalizations, combines, mergers and trusts. Acute indigestion of excessive security issues toward the end.
1893—1896	25	... .	The collapse of the Coal Monopoly and the Cordage Combine credited with starting this period. Money troubles conspicuous, and currency shortage made a political issue.
		1896—1903	1896 witnessed a turn in commodity prices and these advanced for 24 years. 1900 saw defeat of silver money issue in election, which gave new encouragement to the financial community. Sharp reaction in 1901, but constructive forces held until 1903, with a fair degree of prosperity.
1903—1904	18	. . ..	This has been referred to as "the rich man's panic", and the conditions back of it include a mania for mergers and stock selling campaigns; reduction of bank credits; governmental trust breaking operations and serious labour troubles. Some claim a year and others more, as the duration of this slump The actual turning points are not always clearly distinguishable
		1904—1907	Period characterized by feverish business activity, also symptoms of speculative excess; high interest rates; banking difficulties and wild Western mining ventures.
1907—1908	12	.. . .	The preceding period was short and unsound and culminated in the crash of the Knickerbocker Trust Company, precipitating a stock market crash and financial panic of great intensity
		1908—1914	A period of irregular improvement, checked by outbreak of the Great War, which caused a brief set-back or pause
1914	8	....	A short period of uncertainty and interrupted business; not a depression of a major nature—rather a pause before activity.
		1914—1920	Outbreak of World War was followed by enormous war demands. A boom started and peace time goods also soared in price and volume of demand. This continued feverishly until 1920.
1920—1922	14	.. . .	Collapse of war time price basis and liquidation of prices.
		1922—1929	Period of great post-war prosperity, in which nearly all classes shared. Expansion, profits and investment reached their peak
1929 — ?		....	Mid-summer saw the end of the trade boom, while October brought the stock market collapse. There has been no definite promise of a turn in 31 months:—the end is not yet in sight.

IS THIS A DEPRESSION OR A COLLAPSE?

It may be recalled by the reader that in the Spring of 1929, Sir George Paish, noted British economist, warned New York that a depression was about due. We recall that the impression was then general that good times had come to stay, and while Sir George's prediction was not taken very seriously then, it was in the Fall of 1929. On December 10th, 1931, he is reported as saying:—"that a collapse would occur within two months." On February 10th, of this year, the date predicted by him for a general collapse, he is reported from London as follows:—"Since that prediction the United States formed a huge loan corporation and Germany has negotiated a new stand-still agreement on her obligations. Thus they have deferred the otherwise inevitable collapse, but they have not cured the disease. Both actions are merely palliatives."

Happy is he whose lot is to write of the beautiful things in life or paint landscapes of pleasant scenes: We are less fortunate inasmuch as the subject in hand is not a pleasant or peaceful one, but nevertheless we must face the issues and the facts without faltering. The people are not in the frame of mind to be satisfied with platitudes, evasions or assurances, and, with the most critical world affairs to be dealt with again in June, it

seems fitting that we face the facts as they are,—take stock of what we have left, and see if we cannot plan constructively for the future. The necessity for co-operative action is fully appreciated by the heads of the European Governments. This near-collapse of the so-called capitalistic Western Nations is providing that stimulant which nourishes the growth of Communism;—the errors and disorganization of our older system make their theories of a social order much more acceptable than before to those amongst us whose present condition is now worse than theirs formerly was. The only safe democracy is a successful democracy. If state ownership and control of the human mind offers a better opportunity of development than other systems it might easily become the ideal state of society, at least for the underprivileged. On the other hand, if western civilization reorganizes its systems of production and distribution so that a new era of peace and progress comes to us, all other forms of organized society will go into total eclipse.

The present structure of National Expenditures and Budgets consists largely of War Debts, interest payable on War Debts, Pensions, Doles and Relief Projects, amounting to three or four times the pre-war expenditures, which were thought intolerable at the time and can now only be met by taxing the people three or four times as heavily as they were taxed before the war. These expenditures are for the most part fixed and inescapable—no one wants to see the pensioners' small allowances reduced,—nor do they want to see our national governments default

on the payment of interest on the debts, or to withhold relief from those whose commodity is their labour or their time; while on the other hand only a continuation of good times will support these expenditures. It does seem, therefore, that below a reasonable point national policies of economy cannot go without dangerous reactions. If this is so, what alternative have we to that of rebuilding our systems so that wages, salaries and prices generally will be higher than they have been in any previous period, and allow of taxation which will support these fixed expenditures, so that they can be borne by those on whom taxation falls most heavily, without undermining industry and enterprise. If it should be that this could only come about by a cheapening of money and a widening of gold,—of currencies and of credit,—what objection can there be to such procedure? Humanity is not required to worship at the shrine of tradition and precedent; as it is often impressed upon us, "the only thing that is certain is change." For some considerable time all movements in wages, employment, commodity prices and security prices continue in a downward direction and render increased taxation several times as difficult to meet as if it had taken place anywhere in the 1924-1929 period. A few figures may serve to illustrate losses that are taking place in a big way. It is said that the decline in the market value of securities listed on the New York stock exchange was about 25,000 Million Dollars in 1931 alone; this is considerably less than the shrinkage which took place from October 1929 until the end of 1930.

The United States Industrial Conference Board in their bulletin on federal taxation is

quoted on January 8th last as reporting shrinkage in national income from 84,000 Million Dollars to three-quarters of that amount in 1930; this would be approximately 21,000 Million Dollars. On the other hand, the receipts from taxes for the first half of 1931, Inclusive of Income Taxes, fell off by 514 Million Dollars in collections, or 37%, or over a Billion Dollars a year. Brokers' loans in New York by the middle of January, 1932, were down from 6,000 Million Dollars to 531 Million Dollars, or less than one-tenth of the 1929 figure. From having surpluses in recent prosperous years, which reduced national debts as much as 2,000 Million Dollars a year, America is now faced with a deficit of a corresponding amount; this might be stated in another way,—as a reversal of nearly 4,000 Million Dollars in a year on government account alone. To aggravate the situation still further, bank failures in the United States in the last two years are as follows:—

No. Bank Failures in U.S.		Deposits
1930	1,326	903 Million Dollars
1931	2,290	1,759 " "
Totals	3,616	2,662 " "

Insolvencies of individuals and corporations for corresponding years are as follows:—

Year	Number	Amounts
1930	26,355	668 Million Dollars
1931	28,285	736 " "
Totals	54,640	1,404 " "

We in Canada are going through a period not much better, except for the fact that our banking system has stood the strain so well that we have had no bank failures. Sometimes tragic situations however, have their amusing side: The Toronto *Star* of March 7th last reports a certain corporation as having just shown profits for period ending December 31st, 1931, of $1,705,023, out of which there was provided Dominion, Provincial and Municipal taxes of $1,558,425. After depreciation, interest charges, etc., there remained a net loss, on the year, of $225,000; this case is exceptional, no doubt, inasmuch as the nature of its business subjected it to particularly heavy taxation. It must be understood that the figures given are quoted from published reports throughout, and also that figures on the United States or Canadian position are necessarily large in times of stress as well as in times of prosperity, due to the enormous activity and high industrialization in America. Figures are not so readily available on the European situation, but it may be presumed that the losses are relatively as great. It has been shown in the chapter on Unemployment that economic losses of 12,000 Million Dollars per year are taking place on labour alone; it would not be an exaggeration to say that the International economic situation has changed into reverse in the last thirty months by somewhere between Fifty and One Hundred Billion Dollars per year. If the war debts and reparations can be held responsible for a continuation of this situation for as much as three months longer, the economic losses would be greater than the reparations and war debts involved.

XV

TRIBUTES

THE 100TH ANNIVERSARY OF WATERLOO

Reproduced from the London "Star" of June 18th, 1918

Is This Picture Incomplete, or Must We Wait Until 2018 A.D. to Complete It?

TRIBUTES

The New Italy

Ancient Rome was the bridge between the cultured East and the pagan West. She brought us law—order—system—efficiency, and, after a fashion, a new faith, which found our rude forefathers clothed in sheepskins and brogues,—wandering the open spaces with their herds, and meting out cruel justice on the basis of Odin and Thor;—"an eye for an eye, and a tooth for a tooth." Slowly but surely these rude forefathers groped their way through that fog-bound age, to a blend of both these systems;—and the new one has now partly dimmed the old.

Then came the Italy of the Renaissance. She gave the Western World many priceless geniuses of the arts, sculpture and music,—and in such numbers that the very soil that holds their bones has become sacred through past contacts. Every zephyr that blows from the east across her smiling, sunny fields is made sweeter for having passed this shrine of the great. How can one contemplate her past without sharing in some measure with Il Duce his deep concern of the dangers which the situation now holds, and understand in some small measure the fervour which urges him to project that civilization into the ages still unborn—and to keep sacred for the future this shrine of the past.

To Germany

Cradle of the Nordic race!—why fear encroachment from thy neighbours? They know too well the price they pay to share thy soil, or rivet shackles onto German feet. 'Twas with crude staves thou didst hurl the Roman legions from thy soil. A hundred years may pass before men question the valour of thy sons; there is no space upon thy shield where blows would make fresh scars. Rest, then, upon thy laurels; and if, not content, we proffer to lift from pawn the bauble of championship won on the final field of strife, and present thee with this worthless laurel, with the wish that it may bring thee better luck than it has us—

Much rather would we clasp thy hand,
In vows to serve our time and race,
Than feel its weight again on stricken fields:—
Use thy great strength to usher in an "age of grace";—
Nail to the walls of "ancient fame" thy shield.

To France

A thousand years roll on and see again her smiling fields the cockpit of European strife;—yet not a yard of her fair soil supports an alien flag. Always in the van of progress she has kept alive her ideals of human liberty and freedom, under whose banners her sons become supernatural beings endowed with supernatural power. She has been the scene of all manner of conflict, spiritual and physical, and her sons have in their subconscious memories the sound of the roar of battle and the wail of the human soul in conflict. Napoleon I understood her idealism as none

before him; and with his maxim that, "the moral to the physical is as three to one," he capitalized those ideals toward the building of a new empire. The French have seized their soil with an affection, and with an understanding that has fertilized her roots,—so that the storms may devastate her leaves, but not uproot her. Centuries of history might teach all nations that the knowledge of the finer things of life these people have, coupled with their thrift and willingness to work intelligently, has endowed her with a capacity to recuperate from defeat more quickly than her opponents can recover from their efforts and their wounds. We in Canada are learning from the association of Three Million of her sons, the priceless contribution their genius adds to the building of this last New World of the West.

To Britain

Neither the Great Frederick nor the majestic Bismarck ever included in their plans anything but co-operation with Britain; no doubt they were conscious of what Mr. Churchill put so aptly into words when he said:—"Britain is amphibious." Her emotional pendulum swings in a small orbit and her gift of pioneering, guided by her processes of reasoning and her love of law and order, have made her the glory of the last century.—But how can one discuss one's mother, with the best of friends?

A Summary

If these nations, whose combined efforts—interspersed with strife—have built western

civilization, can now compose their political differences, liquidate the causes of their financial misunderstandings, standardize their international currency on an international basis, and join hands in one century of co-operation—the results should make the last great Renaissance look, by comparison, like the glow of a tallow candle in the light of a noon-day sun.

XVI

A RECORD OF REPARATIONS AND WAR DEBTS

A RECORD OF REPARATIONS AND WAR DEBTS

Unhappy as this subject must always be, it is not possible to deal comprehensively with the work undertaken without a recapitulation of how the debt situation started, and grew into its present bogged position.

When the kaleidoscopic events of the first phase of the struggle had subsided, and the bonny lads of Omdurman, of Africa and of many a stricken field had become but a memory, the veteran Asquith, Premier of Great Britain, made a pronouncement which gave purpose and fixity to a struggle which Kitchener had said "would last three years longer." Not since Westminster had heard Pitt give his pronouncement—"Roll up that Map," on the wars of a century before, had such a pronouncement been made;—in doing so he gave the hardened resolution of the British Empire:—"We will not sheathe the sword until Belgium has recovered all, and more than all, that she has lost, etc." Fully occupied with a struggle that left no time for words, France does not appear to have had the time to formulate such a calculated, objective pronouncement. Mr. Asquith's statement appears to have put into words a concrete purpose and resolution for all of the Western Allies;—

they settled down to a realization of the magnitude of their undertaking, and to a prosecution of the struggle along lines calculated to bring it to a successful consummation. The war was conducted in the old spirit that—"To the victor belong the spoils": Every loan raised in prosecution of the war—every regiment that was sent to the front went with the mental reservation;—"someone was going to pay,—and pay plenty,"—when the carnage was over. Little was it then suspected that this contest was on such a gigantic scale that such a consummation could not be. The nerve-racked, surviving statesmen, still tensioned by the shocks of war, concluded the Treaty of Versailles, which aimed to give effect to the Allied purpose, under which they had waged war. It did not fix the reparations;—it fixed the responsibility for the war. It left the question of how much Germany must pay—and how—to a Reparations Commission.

This Commission perfunctorily investigated Germany's capacity to pay and determined—in percentages—the amounts which the Western Allies should receive. In such a struggle it was not easy to determine losses and costs; various estimates and amounts ranging from 62,000 Million Dollars, down to 55,000 Million Dollars, finally resulted in a settlement at 132,000 Million Gold Marks, or 33,000 Million Dollars. While this amount was only about half what the Western Allies had already spent in prosecuting the war, it corresponded fairly closely with the net economic value of Germany, if put on the auction block, with her resources and her man-power reduced in one

case, and extinguished in the other. Germany admitted that her maximum capacity to pay was 7,250 Million Dollars; the settlement, however, was not closely based on Germany's capacity to pay but was fixed at her "legal liability"—the amount fixed being 58% of the total of the Western Allies' claims.

Germany was unable to balance her budget although she made certain early payments, and she asked for, and was granted, a brief Moratorium, and finally demanded that the sum be adjusted to one within her capacity to liquidate;—this was not conceded — Germany proceeded to collapse — a period of currency inflation set in, resulting in the establishment of the Dawes Commission.

Under an adjusted payment basis Germany resumed liquidation of reparations, but largely by borrowings from Britain and the United States;—this did not reduce her liabilities, but merely shifted her credits: Under this arrangement the 33,000 Million Dollars stood intact, and by 1929 Germany, after having made certain payments, again made a financial collapse.

This new situation brought into existence the "Young Plan". By this time the considerations which had determined the original amount were not considered as a sound basis, and the total of reparations was scaled down to about 8,000 Million Dollars. This scheme provided for a system of extended annual payments, some of which were fixed and irrevocable, and some adjustable according to conditions as determined later on, if it should happen that Germany would be unable to

meet the annuities in full. The 8,000 million figure was based largely on the theory that the Western Allies were to receive sums slightly in excess of what they in turn had to pay in settlement of their war borrowings, largely to the United States;—these payments were to continue for 59 years.

It must be conceded that this arrangement was cleverly calculated to serve the ends in view of the Western Allies, and at the same time remove, as far as possible, the likelihood of Germany being unable to meet these annuities. It was neither possible nor reasonable that an extended-payment plan should not include interest on the amounts extended from year to year, and by reference to the accompanying Chart it will be seen that by the process of compound interest this sum of somewhat more than 8,000 Million Dollars grows again to 27,000 Million Dollars, or back to nearly where it was. Although extended over such a long period, it appeared at the time to be within Germany's capacity to earn profits from her international trade with which to pay, but it does still appear to be a large proportion of Germany's national wealth, if the figure which Mr. Bruening has given,—namely 40,000 Million Dollars,—as being the total of her wealth, is not contestable. She was able, by borrowing heavily, to keep afloat, and to actually have a favourable foreign trade balance in 1930 of 410 Million Dollars, and 719 Million Dollars in 1931;—this through rigid economies, and through her people depriving themselves, to the extent of having lowered their standards of wages and living.

The world depression which began in 1929 has added to her burdens that of a tremendous unemployment problem, plus also bringing about such reductions in her national surpluses as have rendered her again unable to meet her obligation, and left her position and her capacity to carry on—in doubt, to say the least.

The more recent picture—fresh in the minds of all—is that Mr. Hoover, realizing the dangerous international position, as it was in 1931, and sensing the danger of a collapse of the total structure of debt arrangement, announced a general Moratorium, in July of 1931, and for one year. From a strictly legal point of view, it must be borne in mind that Germany's reparation payments and the inter-allied debt payments to the United States, and to various other nations, are entirely distinct and separate propositions. At the same time, and from a practical point of view, it is appreciated on all hands that the inter-allied debts are beyond the capacity of the nations to pay except as, how, and when they receive reparations from Germany, to enable them to pay. Manifestly, the 1,600 Million Dollars of Gold which Britain, Germany, Italy and Belgium, all combined, had in their possession at the date of the Chart Record in this book, as of September 1931,—if all paid to the United States, would only have liquidated about 10% of their total obligations, without having rendered any great service to America. As gold has the dual function of covering currency and liquidating international trade obligations, to do so would produce total collapse of those countries, and with most unfavourable reactions in all of the

others. Certainly Germany's 310 Million Dollars of Gold, as of that same date, would only have paid three-quarters of one year's payment and have left her currency in a worse position than at any time.

Much has been said regarding America's international trade policy, but we cannot ignore the history of the past, or expect any nation to undertake new follies in liquidation of old ones, since America has continued to uphold a standard of values, and payments to her peoples, differing greatly from those obtaining in the Old World. Those who claim that, in order to get a settlement of foreign obligations which only amount to 6% of America's total assets, she should alter her own standards, or allow payment in goods alone, since gold is not available from her debtors, while her workmen go hungry in the streets, have not weighed the situation on a true pair of scales;—war is the negation of all our standards and ideals: It seems that as long as there is an overhang from that war we will suffer from its negations.

The conference called to deal with the whole question last January is now postponed until June, while the Moratorium called for by Mr. Hoover expires in July of the present year. With the assistance and temporary relief which this Moratorium has given to the debtors, they all have managed to keep the Ship of State afloat, as yet. This conference takes place while the world is in the throes of a depression—the most far-reaching in modern times. What the outcome will be is a question of gravest anxiety,—the question of "capacity to pay," by *any* of the debtors, can be

determined at a glance, and in advance of the conference.

Britain had loaned her Allies during the course of the war about 10,000 Million Dollars, 4,600 Million of which she had borrowed from United States. She has cancelled a large portion of this, retaining only a sufficient amount to balance her obligations to the United States, which have been funded at from 3% to 3½% over a period terminating in 1984.

The whole thing reminds one of nothing so much as an all-night six-handed sitting of the favourite American game of Poker:—When dawn comes, about three of the players are "dead to the world for sleep, and just where they started from financially"; two are "away up on the deal"; the sixth one has "given the party." When the luck runs this way, it is usual to call for a new deck of cards and a new deal.

Writing in the *Economist* on January 9th last, Sir Henry Strakosh says:—

"The settlement of war debts and reparations has tended to deprive the rest of the world of its ratable share of gold, for monetary purposes, affecting four-fifths of the world's population under the sway of the gold standard. Measures of divers kinds are constantly being taken, but, being mere palliatives, they are, for the most part, worse than useless. That is a melancholy reflection that for the sake of collecting 400 Million Dollars of war reparations, the world is inflicted with losses ten to twenty times as great." (He refers to 400 Millions as the annual payments from Germany.)

F. D. Goodenough, Chairman of Barclay's Bank, says:—

"It becomes increasingly clear that, looking to the future, it would be wholly impossible for substantial reparations and war debt payments to continue to be made otherwise than in

goods, which must therefore be allowed free access to the creditor countries (which have hitherto been receiving payments largely in gold.)"

Now we are hearing ugly words—words like default—words like repudiation: Almost no debtor will default because he delights to do so—there may be, and there is, much being said along this line, which we all hope is only the froth on the top;—in a thousand years that the seas have lapped the coast of Britain, those words have not been used before. Those who know the German people, know that it is equally distasteful to them;—and equally so to all of the others concerned. Conditions can arise, however, wherein some things may become "physical impossibilities":—If a man has to carry a pile of rock up a steep hill in a given time, he may manage to do it, but if the task were calculated on his capacity when well and strong, and he had become ill, it would be harder: If he had to keep on carrying to the limit of his strength, and had to deliver a given quantity each year,—so that he could not miss a single trip—or stop to rest—or refresh himself with sleep,—the time would come when his capacity would be at an end, and in doing so he would have defeated his own best intentions and the objects of all concerned. Only if faced with such impossible conditions can one conceive of these nations denouncing their obligations. The shades of the past would raise their hands in all the Abbeys of Europe—saying—"not this way," and in the last analysis—this way will not prevail. The debts incurred have been sealed with the most solemn obligations which a nation can undertake, or give to another, and in return for a recognized "quid pro quo":—The money was advanced in

cash and/or its equivalent, in the case of the war debts. Other considerations may easily have a moral value, but only that. In this connection one might recall an item of importance which does not appear to have been brought forward as it deserves:—Between April 1917, when America joined in the war, and the Spring of 1918, she was in the war as a full partner of the Western Allies,—and France, Britain, Italy and Belgium, and all the others, were holding the positions against the awful thrusts of the Central Powers: During that year American losses of man-power were almost nil, while the losses of her Allies were tremendous. For probably fifty years these countries will be paying in pensions for those lost during that period, more than the total of the war debts, as they exist to-day.

It may be argued, and reasonably so, that any policy of further generosity to Germany would be without precedent, having regard particularly to her own past and the precedent of 1871. It may be offered, however, in reply, that this is not 1871—that the settlement of 1871 failed in its object—and that we are now supposed to be living in an age of psychological understanding.

Viewed from the present condition of the world's affairs, "Paradise Lost" contains no more hopeless picture than that of the next 58 years of sacrifice and grief, bristling as it is with new menaces to the Peace of the World, and by the unremitting and wearing-down processes of war debt liquidation—defeating its own object. What would make a more pleasant picture, would be to step forward a few decades with Bellamy—to "Look Backward" on an era of progress and

understanding. If the plan herein outlined were of doubtful potency—or if it had included new hardships, or doubtful benefits for any—it would never have been permitted to see the light of day.

Armageddon is past—the darkest hour is now:—If the rulers will act quickly, it too will pass: Failing remedial action, we are fast slipping into financial collapse. With liquidation going on at a worse pace than ever, the capacity to liquidate is passing from us;—a few more months like the present, and the blinds will be drawn in enough plants and businesses so that the unemployment will be doubled—trebled,—the nations will have exhausted their funds, with insufficient gold hoardings to take the place of uncollectible taxes—what then?

XVII

SUGGESTED RULES GOVERNING REORGANIZATION

SUGGESTED RULES GOVERNING REORGANIZATION

Any plan for the reorganization of the gold standard, war debts, reparations and currencies, to be certain of succeeding effectively and speedily, and in keeping with the urgencies of the present disequilibrium of our fiscal and economic system, would appear to require the application of the following principles:—

1. It must be simple, direct, and easily understood during the period of negotiation as well as during the period of its application.

2. It must offer benefits to all of the Treaty nations in equal proportion, and hardship to none, and be of multilateral conception, to include similar benefits to all other nations who will subscribe to the Treaty after its initial consummation.

3. To recognize the principle that Gold is the universal medium, and the common heritage of the race, and correct the maldistribution of the existing supplies of reserve Gold.

4. To reconstruct on an agreed, international basis, the very foundations of currency, of reserves and credit—which will for all time banish the baffling intricacies and the evils of exchange as

between nations, with its overnight fluctuations, and demoralizing effect on trade and industry.

5. To create an international gold coinage, an "Esperanto of money" which will serve as an international standard for all nations, and in which all will be equally interested in maintaining its purity and international character, and in keeping free from overissues the national currencies which grow out of it.

6. It must embrace the immediate liquidation of war debts and reparations as between Germany on the one hand, and France, Italy, Belgium, Great Britain and United States on the other.

7. It must be non-political and not include any contentious tariff considerations as between the nations concerned,—since the conclusion of this suggested plan should create a new perspective and a new outlook which will later determine—in each separate case, the wisest course to be pursued.

8. To create an international supervising body, which enjoys the confidence of all the Treaty nations in equal measure, whose duties will be to supervise, check and report on the gold reserves and currency issues periodically of each of the nations. It would seem that the League of Nations is eminently competent to undertake this.

9. The consummation of the plan must not be imperilled during the formative period, or afterwards, by including in its agenda the discussion of disarmament.

10. Whereas "Good counsel does not come from a great number," it would seem advisable

that the deliberations be confined, in the first instance, to the six nations involved in war debts and reparations, and at a later stage its benefits and privileges be thrown open to all other nations.

11. The delegates should be clothed in plenary powers to enable them to conclude a Treaty, without the necessity of referring back to any greater body than a Government Cabinet, as otherwise a delicate and somewhat intricate problem might easily become a political football.

12. Its maximum and speedy success would be assured if the Conference were conducted in the spirit of "Charity toward all and malice toward none."

XVIII

THE PLAN

TABLE SHOWING COMPOUND INTEREST ACCUMULATIONS

on $1,000 for years as shown in column 1 at rates shown in columns 2, 3, 4 and 5.

Years	2½%	3%	4%	5%
5	131.41	159.27	216.65	276.28
10	280.08	343.91	480.24	628.88
15	448.29	557.97	800.94	1,078.91
20	638.62	806.11	1,191.12	1,653.27
25	853.95	1,093.77	1,665.83	2,386.33
30	1,097.58	1,427.26	2,243 39	3,321.91
35	1,373.22	1,813.86	2,946.08	4,515.98
40	1,685.06	2,262.04	3,801.01	6,039.94
45	2,037.90	2,781.60	4,841.16	7,984.95
50	2,437.11	3,383.92	6,106.66	10,467.32
51	2,523.03	3,515.44	6,390.94	11,040.68
52	2,611.10	3,650.90	6,685.73	11,642.72
53	2,701.38	3,790.43	6,994.03	12,274.81
54	2,793.91	3,934.14	7,313.79	12,938.60
55	2,888.78	4,082.16	7,646.35	13,635.53
56	2,985.99	4,234.63	7,992.20	14,367.31
57	3,085.64	4,391.67	8,351.89	15,135.67
58	**3,187.78**	**4,553.42**	**8,725.96**	**15,942.46**
59	3,292.48	4,720.02	9,115.00	16,789.58
60	3,399.79	4,891.62	9,519.60	17,679.06

WORLD'S GOLD RESERVES HELD BY GOVERNMENTS AND BANKS

(p) preliminary — Figures shown are in millions of dollars—(000,000 omitted) — At September, 1931

United States	4,364	Forward	10,132
France	2,326	Argentine	281 (p)
Great Britain	656	Brazil	0
Germany	310	Columbia	8
Italy	286	Peru	13 (p)
Belgium	346	Uruguay	56 (p)
		5 other S.A. Countries	12 (p)
Treaty Nations 73 per cent.	8,288		
Canada	83	Australia	52
Holland	282	India	162
Switzerland	328	Japan	408
Norway	39	Java	51
Sweden	53	New Zealand	34 (p)
Denmark	44	Egypt	21 (p)
		South Africa	32
Percentage all held 80 per cent.	9,117	45 Countries	11,262 (p)
Austria	27		
Bulgaria	11		
Czechoslovakia	45		
Hungary	18		
Poland	64		
Rumania	54		
Spain	439		
Russia (U.S.R.R.)	293		
Yugoslavia	29		
7 Other Countries	35 (p)		
	10,132		

GOLD RESERVES OF NATIONS INVOLVED IN WAR DEBTS AND REPARATIONS AND PAPER CURRENCIES ISSUED BY TREASURIES AND BANKS AT DATES SHOWN

The figures shown in Columns 1, 3 and 5 are in Millions of Dollars (000,000 omitted)

COUNTRIES	GOLD RESERVES IN TREAS-URIES AND BANKS	SOURCES OF DATA	CURRENCIES OF PAPER ISSUES OF TREASURIES AND BANKS	SOURCES OF DATA	COVERAGES AMOUNTS OVER OR UNDER 100% OF PAPER	PERCENT-AGES OF GOLD TO PAPER ISSUES
UNITED STATES	4,364	Sept. 1931 Dominion Bureau of Statistics	3,356	World Almanac, June 1931	+ 1,008	130%
FRANCE.......... .. .	2,326	Sept. 1931 Dominion Bureau of Statistics	3,194	World Almanac, Oct. 2, 1931	— 868	73%
GREAT BRITAIN..	656	Sept. 1931 Dominion Bureau of Statistics	1,732	World Almanac Oct. 28, 1931	— 1,076	38%
GERMANY	310	Sept. 1931 Dominion Bureau of Statistics	1,177	World Almanac Oct. 7, 1931	— 867	26%
ITALY.................. .	286	Sept. 1931 Dominion Bureau of Statistics	753	World Almanac Aug. 31, 1931	— 467	38%
BELGIUM.....	346	Sept. 1931 Dominion Bureau of Statistics	461	World Almanac Sept. 1, 1931	— 115	75%
TOTALS............. . .	8,288		10,673		— 2,385	77%

EXPORTS OF THE SIX PROPOSED TREATY NATIONS

5 years, 1926 to 1930 Inclusive

All figures in Millions of Dollars (000,000 omitted)

YEAR	U.S.A.	U.K.	GERMANY	FRANCE	ITALY	BELGIUM	TOTAL
1926	4,712	3,219	2,329	2,321	726	554	13,861
1927	4,758	3,496	2,434	2,163	823	740	14,414
1928	5,030	3,567	2,765	2,013	766	858	14,999
1929	5,157	3,596	3,015	1,965	797	883	15,413
1930	3,634	2,716	2,658	1,679	633	716	12,036
Totals .	23,291	16,594	13,201	10,141	3,745	3,751	70,723
Yearly Average	4,658	3,319	2,640	2,028	749	750	14,144
Per cent. of Total	32.9	23.4	18.7	14.4	5.3	5 3	100

The above figures were gathered from the Bulletin of Statistics, August 1931, of the League of Nations.

IMPORTS OF THE SIX PROPOSED TREATY NATIONS

5 years, 1926 to 1930 Inclusive

All figures in Millions of Dollars (000,000 omitted)

YEAR	U.S.A.	U. K.	GERMANY	FRANCE	ITALY	BELGIUM	TOTAL
1926	4,408	5,501	2,381	2,336	1,006	640	16,272
1927	4,163	5,400	3,388	2,077	1,076	807	16,911
1928	4,078	5,301	3,334	2,094	1,163	888	16,858
1929	4,339	5,478	3,201	2,281	1,133	984	17,416
1930	2,866	4,644	2,354	2,052	906	825	13,647
Totals	19,854	26,324	14,658	10,840	5,284	4,144	81,104
Yearly Average .	3,971	5,265	2,931	2,168	1,057	829	16,221
Per cent. of Total	24.5	32.4	18.1	13.4	6.5	5.1	100

The above figures were gathered from the Bulletin of Statistics, August 1931, of the League of Nations.

POPULATION—NATIONAL WEALTH AND NATIONAL AND ANNUAL PER CAPITA INCOME OF NATIONS INVOLVED IN WAR DEBTS AND REPARATIONS

COUNTRY	POPULATION	DATE	NATIONAL WEALTH in millions of dollars	PER CAPITA WEALTH in dollars	ANNUAL NATIONAL INCOME in millions of dollars	PER CAPITA INCOME in dollars
UNITED STATES	122,775,095	1930	361,800	$2,948.00	70,000	$571 00
GREAT BRITAIN	46,275,926	April 1931	122,000	$2,636.00	18,530	$400 00
FRANCE	40,938,847	Census 1926	60,000	$1,465.00	8,820	$215 00
GERMANY	63,118,812	1925	40,000	$ 633.70	12,440	$197.00
ITALY	42,118,835	Census April 21, 1931	25,000	$ 593 50	4,760	$113.00
BELGIUM	8,060,189	Official Estimate Dec. 1929	10,760	$1,335.00	1,960	$242.00
TOTALS	323,287,704		619,560	$1,601.86 Average	116,510	$289 00 Average

NOTE: — Populations from World Almanac—latest census or estimates.
National Wealth from World Almanac—(about 1924)
Per Capita Wealth, dividing National Wealth by population.
National Income—Bureau of Statistics, Ottawa.
Income per Capita—divide National Incomes by population.

Mar. 31st	To U. S. A.	To British Empire	To France	To Italy	To Belgium	To All Countries
1931	$ 15,912,000	$ 88,032,000	$ 216,168,000	$ 50,903,340	$ 27,512,100	$ 409,896,000
2	15,864,000	86,880,000	201,216,000	50,903,340	27,512,100	404,400,000
3	15,864,000	87,480,000	211,152,000	50,903,340	27,512,100	417,168,000
4	14,256,000	109,152,000	210,984,000	50,903,340	27,512,100	433,032,000
5	14,256,000	108,024,000	226,032,000	50,903,340	27,512,100	448,056,000
6	14,256,000	106,776,000	231,072,000	50,903,340	27,512,100	454,296,000
7	14,256,000	105,144,000	240,984,000	50,903,340	27,512,100	465,528,000
8	13,728,000	108,624,000	247,632,000	50,903,340	27,512,100	474,480,000
9	13,728,000	107,304,000	252,576,000	50,903,340	27,512,100	478,872,000
1940	14,256,000	106,200,000	260,952,000	50,903,340	27,512,100	490,272,000
1	14,256,000	109,704,000	283,176,000	50,903,340	27,512,100	517,320,000
2	15,864,000	109,512,000	281,088,000	50,903,340	27,512,100	523,368,000
3	15,864,000	107,040,000	285,936,000	50,903,340	27.512,100	527,520,000
4	15,864,000	105,552,000	285,792,000	50,903,340	27,512,100	526,632,000
5	15,864,000	108,120,000	285,768,000	50,903,340	27,512,100	529,800,000
6	15,864,000	105,384,000	285,792,000	50,903,340	27,512,100	528,912,000
7	15,864,000	103,776,000	285,144,000	50,903,340	27,512,100	527,880,000
8	15,864,000	107,184,000	284,448,000	50,903,340	27,512,100	531,648,000
9	15,864,000	105,384,000	284,424,000	50,903,340	27,512,100	530,400,000
1950	18,264,000	105,504,000	299,664,000	50,903,340	27,512,100	556,032,000
1	18,264,000	105,720,000	306,696,000	50,903,340	27,512,100	566,208,000
2	18,264,000	105,864,000	299,640,000	50,903,340	27,512,100	562,368,000
3	18,240,000	105,936,000	299,592,000	50,903,340	27,512,100	563,088,000
4	18,264,000	106,944,000	299,568,000	50,903,340	27,512,100	564,792,000
5	18,264,000	108,864,000	299,544,000	50,903,340	27,512,100	567,504,000
6	18,264,000	106,608,000	299,568,000	50,903,340	27,512,100	566,352,000
7	18,264,000	104,328,000	299,544,000	50,903,340	27,512,100	565,008,000
8	18,264,000	97,752,000	306,864,000	50,903,340	27,512,100	566,832,000
9	18,264,000	98,448,000	312,672,000	50,903,340	27,512,100	574,512,000
1960	18,264,000	97,992,000	306,816,000	50,903,340	27,512,100	568,944,000
1	18,264,000	97,464,000	306,768,000	50,903,340	27,512,100	571,320,000
2	18,264,000	98,880,000	306,768,000	50,903,340	27,512,100	575,592,000
3	18,264,000	96,120,000	306,744,000	50,903,340	27,512,100	573,648,000
4	18,264,000	98,424,000	306,720,000	50,903,340	27,512,100	576,624,000
5	18,264,000	97,512,000	306,696,000	50,903,340	27,512,100	576,504,000
6	18,264,000	98,544,000	311,400,000	50,903,340	27,512,100	582,912,000
7	9,792,000	85,728,000	190,608,000	85,418,520	12,624,600	385,848,000
8	9,792,000	83,208,000	190,584,000	85,418,520	12,624,600	385,656,000
9	9,792,000	83,856,000	189,816,000	85,418,520	12,624,600	388,000,000
1970	9,792,000	85,368,000	189,048,000	85,418,520	12,624,600	391,200,000
1	9,792,000	86,688,000	189,000,000	85,418,520	12,624,600	394,488,000
2	9,792,000	86,832,000	188,952,000	85,418,520	12,624,600	396,936,000
3	9,792,000	87,864,000	188,904,000	85,418,520	12,624,600	398,952,000
4	9,792,000	87,696,000	188,566,000	85,418,520	12,624,600	399,768,000
5	9,792,000	87,384,000	188,832,000	85,418,520	12,624,600	400,416,000
6	9,792,000	87,936,000	188,784,000	85,418,520	12,624,600	402,000,000
7	9,792,000	87,312,000	188,712,000	85,418,520	12,624,600	402,888,000
8	9,792,000	87,552,000	188,664,000	85,418,520	12,624,600	404,496,000
9	9,792,000	87,624,000	188,616,000	85,418,520	12,624,600	406,920,000
1980	9,792,000	87,528,000	188,568,000	85,418,520	12,624,600	408,096,000
1	9,792,000	87,240,000	188,520,000	85,418,520	12,624,600	410,712,000
2	...	87,768,000	188,448,000	85,418,520	12,624,600	405,024,000
3	...	87,096,000	188,400,000	85,418,520	12,624,600	406,032,000
4	...	89,280,000	188,328,000	85,418,520	12,624,600	408,792,000
5	...	83,088,000	188,256,000	85,418,520	12,624,600	404,050,000
6	...	99,384,000	188,184,000	85,418,520	12,624,600	222,024,000
7	...	99,384,000	188,136,000	85,418,520	12,624,600	223,536,000
8	...	89,304,000	180,792,000	85,418,520	12,624,600	215,472,000
Totals	$744,888,000	$5,641,296,000	$14,187,790,000	$3,711,727,680	$1,268,176,300	$27,159,026,000

WAR DEBTS PAYABLE TO UNITED STATES OF AMERICA

Year	From Germany March 31st	From Britain Dec. 31st	From France June 30th	From Belgium	From Italy	From All Countries
1931	$ 15,912,000	$ 159,940,000	$ 40,000,000	$ 7,300,000	$ 14,621,250	$ 249,346,000
2	15,864,000	161,100,000	50,000,000	7,950,000	14,706,125	261,410,000
3	15,864,000	183,900,000	60,000,000	8,450,000	14,790,875	296,040,000
4	14,256,000	182,780,000	75,000,000	9,050,000	15,075,500	309,449,000
5	14,256,000	181,660,000	80,000,000	9,550,000	15,459,750	314,452,000
6	14,256,000	180,540,000	90,000,000	12,672,500	15,943,500	327,144,000
7	14,256,000	184,420,000	100,000,000	12,716,500	16,626,625	341,957,000
8	13,728,000	183,125,000	105,000,000	12,757,000	17,008,875	345,862,000
9	13,728,000	181,830,000	110,000,000	12,694,000	17,590,625	350,339,000
1940	14,256,000	185,535,000	115,000,000	12,731,000	18,171,625	360,252,000
1	14,256,000	184,065,000	120,000,000	12,664,500	21,103,750	366,906,000
2	15,864,000	182,595,000	125,000,000	12,698,000	21,662,750	372,672,000
3	15,864,000	181,125,000	125,000,000	12,728,000	22,220,250	371,826,000
4	15,864,000	183,655,000	125,000,000	12,654,500	22,876,250	377,863,000
5	15,864,000	182,045,000	125,000,000	12,681,000	23,530,500	376,973,000
6	15,864,000	180,435,000	125,000,000	12,704,000	24,083,000	375,962,000
7	15,864,000	183,825,000	125,000,000	12,723,500	24,434,000	379,748,000
8	15,864,000	182,040,000	125,000,000	12,739,500	24,984,000	378,551,000
9	15,864,000	180,255,000	125,000,000	12,652,000	25,532,500	377,253,000
1950	18,264,000	180,470,000	125,000,000	12,664,500	26,279,500	380,650,000
1	18,264,000	180,615,000	125,000,000	12,673,500	31,449,000	386,015,000
2	18,264,000	180,690,000	125,000,000	12,679,000	32,134,000	386,850,000
3	18,240,000	181,695,000	125,000,000	12,681,000	32,815,000	388,560,000
4	18,264,000	183,595,000	125,000,000	12,679,500	33,492,000	391,185,000
5	18,264,000	181,355,000	125,000,000	12,674,500	34,465,000	390,183,000
6	18,264,000	179,115,000	125,000,000	12,766,000	35,332,500	388,928,000
7	18,264,000	179,875,000	125,000,000	12,750,500	36,195,000	390,552,000
8	18,264,000	180,530,000	125,000,000	12,731,500	37,152,500	392,625,000
9	18,264,000	180,080,000	125,000,000	12,709,000	37,904,500	392,911,000
1960	18,264,000	179,560,000	125,000,000	12,683,000	38,752,000	393,213,000
1	18,264,000	180,970,000	125,000,000	12,653,500	43,141,750	399,630,000
2	18,264,000	178,240,000	125,000,000	12,720,000	43,898,000	397,716,000
3	18,264,000	180,510,000	125,000,000	12,680,500	44,646,750	400,682,000
4	18,264,000	179,605,000	125,000,000	12,737,000	45,388,000	400,555,000
5	18,264,000	180,630,000	125,000,000	12,686,500	46,121,750	402,246,000
6	18,264,000	182,515,000	125,000,000	12,732,500	47,348,000	405,381,000
7	9,792,000	181,225,000	125,000,000	12,671,500	48,563,000	396,748,000
8	9,792,000	181,865,000	125,000.000	12,707,000	50,266,750	399,099,000
9	9,792,000	183,365,000	125,000,000	12,735,500	51,955,500	402,283,000
1970	9,792,000	184,690,000	125,000,000	12,757,000	52,629,250	404,267,000
1	9,792,000	184,840,000	125,000,000	12,671,500	56,394,000	408,062,000
2	9,792,000	185,850,000	125,000,000	12,682,500	57,434,000	410,079,000
3	9,792,000	185,685,000	125,000,000	12,686,500	58,459,000	410,991,000
4	9,792,000	185,380,000	125,000,000	12,683,500	59,469,000	411,740,000
5	9,792,000	185,935,000	125,000,000	12,773,500	60,464,000	413,418,000
6	9,792,000	185,315,000	125,000,000	12,853,000	61,944,000	414,385,000
7	9,792,000	185,555,000	125,000,000	12,822,000	63,404,000	416,085,000
8	9,792,000	185,620,000	125,000,000	12,784,000	65,844,000	418,569,000
9	9,792,000	185,510,000	125,000,000	12,739,000	67,254,000	420,034,000
1980	9,792,000	185,225,000	125,000,000	12,787,000	67,644,000	420,383,000
1	9,792,000	185,765,000	125,000,000	12,824,500	74,048,000	427,752,000
2	...	185,095,000	125,000,000	12,851,500	75,768,000	419,399,000
3	...	187,250,000	125,000,000	12,868,000	76,428,000	422,769,000
4	...	181,125,000	125,000,000	12,774,000	78,048,000	418,686,000
5	...	...	125,000,000	12,773,000	78,608,000	227,588,000
6		...	125,000,000	12,861,500	80,128,000	229,192,000
7	...	...	117,674,000	12,216,000	80,988,000	221,850,000
8			...	...	...	.
Totals	$744,888,000	$9,820,215,000	$6,687,674,000	$703,540,000	$2,382,677,500	$21,335,266,000

Year	To U.S.A. Dec. 31st	From Italy Dec. 31st	From Germany March 31st	From France Dec. 31st	From All Countries	Balance
1931	$ 159,940,000	$ 20,655,000	$ 75,072,000	$ 60,750,000	$ 162,112,000	$+ 2,172,000
2	161,100,000	21,263,000	74,064,000	60,750,000	162,152,000	+ 1,052,000
3	183,900,000	21,870,000	74,808,000	60,750,000	163,503,000	— 20,397,000
4	182,780,000	21,870,000	96,624,000	60,750,000	183,319,000	+ 539,000
5	181,660,000	21,870,000	95,640,000	60,750,000	184,457,000	+ 2,797,000
6	180,540,000	21,870,000	94,536,000	60,750,000	183,839,000	+ 3,299,000
7	184,420,000	21,870,000	93,048,000	60,750,000	182,351,000	— 2,069,000
8	183,125,000	21,870,000	96,672,000	60,750,000	185,975,000	+ 2,850,000
9	181,830,000	21,870,000	95,496,000	60,750,000	185,042,000	+ 3,212,000
1940	185,535,000	21,870,000	94,536,000	60,750,000	184,325,000	— 1,210,000
1	184,065,000	21,870,000	98,184,000	60,750,000	187,973,000	+ 3,908,000
2	182,595,000	21,870,000	97,848,000	60,750,000	188,609,000	+ 6,014,000
3	181,125,000	21,870,000	95,232,000	60,750,000	185,993,000	+ 4,868,000
4	183,655,000	21,870,000	93,600,000	60,750,000	184,361,000	+ 706,000
5	182,045,000	21,870,000	96,024,000	60,750,000	187,878,000	+ 5,833,000
6	180,435,000	21,870,000	93,144,000	60,750,000	184,998,000	+ 4,563,000
7	183,825,000	21,870,000	91,392,000	60,750,000	183,246,000	— 579,000
8	182,040,000	21,870,000	94,656,000	60,750,000	186,510,000	+ 4,470,000
9	180,255,000	21,870,000	92,712,000	60,750,000	184,566,000	+ 4,311,000
1950	180,470,000	21,870,000	92,688,000	60,750,000	184,542,000	+ 4,072,000
1	180,615,000	21,870,000	92,760,000	60,750,000	184,614,000	+ 3,999,000
2	180,690,000	21,870,000	92,760,000	60,750,000	184,614,000	+ 3,924,000
3	181,695,000	21,870,000	92,688,000	60,750,000	184,542,000	+ 2,847,000
4	183,595,000	21,870,000	93,552,000	60,750,000	185,406,000	+ 1,811,000
5	181,355,000	21,870,000	95,328,000	60,750,000	187,182,000	+ 5,827,000
6	179,115,000	21,870,000	92,928,000	60,750,000	184,782,000	+ 5,667,000
7	179,875,000	21,870,000	90,504,000	64,395,000	186,003,000	+ 6,128,000
8	180,530,000	21,870,000	83,784,000	68,040,000	182,928,000	+ 2,398,000
9	180,080,000	21,870,000	84,336,000	68,040,000	183,480,000	+ 3,400,000
1960	179,560,000	21,870,000	83,736,000	68,040,000	182,880,000	+ 3,320,000
1	180,970,000	21,870,000	83,064,000	68,040,000	182,208,000	+ 1,238,000
2	178,240,000	21,870,000	84,336,000	68,040,000	183,480,000	+ 5,240,000
3	180,510,000	21,870,000	81,432,000	68,040,000	180,576,000	+ 66,000
4	179,605,000	21,870,000	83,592,000	68,040,000	182,736,000	+ 3,131,000
5	180,630,000	21,870,000	82,536,000	68,040,000	181,680,000	+ 1,050,000
6	182,515,000	21,870,000	83,424,000	68,040,000	182,568,000	+ 53,000
7	181,225,000	21,870,000	85,728,000	68,040,000	186,087,000	+ 4,862,000
8	181,865,000	21,870,000	83,208,000	68,040,000	183,567,000	+ 1,702,000
9	183,365,000	21,870,000	83,856,000	68,040,000	184,115,000	+ 750,000
1970	184,690,000	21,870,000	85,368,000	68,040,000	185,727,000	+ 1,037,000
1	184,840,000	21,870,000	86,688,000	68,040,000	187,047,000	+ 2,207,000
2	185,850,000	21,870,000	86,832,000	68,040,000	187,191,000	+ 1,341,000
3	185,685,000	21,870,000	87,864,000	68,040,000	188,223,000	+ 2,538,000
4	185,380,000	21,870,000	87,696,000	68,040,000	188,055,000	+ 2,675,000
5	185,935,000	21,870,000	87,384,000	68,040,000	187,743,000	+ 1,808,000
6	185,315,000	21,870,000	87,936,000	68,040,000	188,295,000	+ 2,980,000
7	185,555,000	21,870,000	87,312,000	68,040,000	187,671,000	+ 2,116,000
8	185,620,000	21,870,000	87,552,000	68,040,000	187,911,000	+ 2,291,000
9	185,510,000	21,870,000	87,624,000	68,040,000	187,983,000	+ 2,473,000
1980	185,225,000	21,870,000	87,528,000	68,040,000	187,887,000	+ 2,662,000
1	185,765,000	21,870,000	87,240,000	68,040,000	187,599,000	+ 1,834,000
2	185,095,000	21,870,000	87,768,000	68,040,000	188,127,000	+ 3,032,000
3	187,250,000	21,870,000	87,096,000	68,040,000	187,455,000	+ 205,000
4	181,125,000	21,870,000	89,280,000	68,040,000	189,639,000	+ 8,514,000
5	....	21,870,000	83,088,000	68,040,000	183,447,000	+183,447,000
6	.. .	21,870,000	99,384,000	68,040,000	199,743,000	+199,743,000
7	....	21,870,000	99,384,000	68,040,000	199,743,000	+199,743,000
8	.. .. .	. . . .	89,304,000	34,020,000	127,212,000	+127,212,000
Totals	$9,820,215,000	$1,244,768,000	$5,171,856,000	$3,719,115,000	$10,655,897,000	$+859,937,000 — 24,255,000

REPARATIONS COLLECTIBLE—AND DEBTS PAYABLE—BY FRANCE

Year	To U.S.A. (June 30th)	To Britain (Dec. 31st)	To All Countries	From Germany (March 31st)	Balance
1931	$ 40,000,000	$ 60,750,000	$ 100,750,000	$ 216,168,000	$+ 115,418,000
2	50,000,000	60,750,000	110,750,000	201,216,000	+ 90,466,000
3	60,000,000	60,750,000	120,750,000	211,152,000	+ 90,402,000
4	75,000,000	60,750,000	135,750,000	210,984,000	+ 75,234,000
5	80,000,000	60,750,000	140,750,000	226,032,000	+ 85,282,000
6	90,000,000	60,750,000	150,750,000	231,072,000	+ 80,322,000
7	100,000,000	60,750,000	160,750,000	240,984,000	+ 80,234,000
8	105,000,000	60,750,000	165,750,000	247,632,000	+ 81,882,000
9	110,000,000	60,750,000	170,750,000	252,576,000	+ 81,826,000
1940	115,000,000	60,750,000	175,750,000	260,952,000	+ 85,202,000
1	120,000,000	60,750,000	180,750,000	283,176,000	+ 102,426,000
2	125,000,000	60,750,000	185,750,000	281,088,000	+ 95,338,000
3	125,000,000	60,750,000	185,750,000	285,936,000	+ 100,186,000
4	125,000,000	60,750,000	185,750,000	285,792,000	+ 100,042,000
5	125,000,000	60,750,000	185,750,000	285,768,000	+ 100,018,000
6	125,000,000	60,750,000	185,750,000	285,792,000	+ 100,042,000
7	125,000,000	60,750,000	185,750,000	285,144,000	+ 99,394,000
8	125,000,000	60,750,000	185,750,000	284,448,000	+ 98,698,000
9	125,000,000	60,750,000	185,750,000	284,424,000	+ 98,674,000
1950	125,000,000	60,750,000	185,750,000	299,664,000	+ 113,914,000
1	125,000,000	60,750,000	185,750,000	306,696,000	+ 120,946,000
2	125,000,000	60,750,000	185,750,000	299,640,000	+ 113,890,000
3	125,000,000	60,750,000	185,750,000	299,592,000	+ 113,842,000
4	125,000,000	60,750,000	185,750,000	299,568,000	+ 113,818,000
5	125,000,000	60,750,000	185,750,000	299,544,000	+ 113,794,000
6	125,000,000	60,750,000	185,750,000	299,568,000	+ 113,818,000
7	125,000,000	64,395,000	189,395,000	299,544,000	+ 110,149,000
8	125,000,000	68,040,000	193,040,000	306,864,000	+ 113,824,000
9	125,000,000	68,040,000	193,040,000	312,672,000	+ 119,632,000
1960	125,000,000	68,040,000	193,040,000	306,816,000	+ 113,776,000
1	125,000,000	68,040,000	193,040,000	306,768,000	+ 113,728,000
2	125,000,000	68,040,000	193,040,000	306,768,000	+ 113,728,000
3	125,000,000	68,040,000	193,040,000	306,744,000	+ 113,704,000
4	125,000,000	68,040,000	193,040,000	306,720,000	+ 113,680,000
5	125,000,000	68,040,000	193,040,000	306,696,000	+ 113,656,000
6	125,000,000	68,040,000	193,040,000	311,400,000	+ 118,360,000
7	125,000,000	68,040,000	193,040,000	196,080,000	— 2,432,000
8	125,000,000	68,040,000	193,040,000	190,584,000	— 2,456,000
9	125,000,000	68,040,000	193,040,000	189,816,000	— 3, 224,000
1970	125,000,000	68,040,000	193,040,000	189,048,000	— 3,992,000
1	125,000,000	68,040,000	193,040,000	189,000,000	— 4,040,000
2	125,000,000	68,040,000	193,040,000	188,952,000	— 4,088,000
3	125,000,000	68,040,000	193,040,000	188,904,000	— 4,136,000
4	125,000,000	68,040,000	193,040,000	188,566,000	— 4,474,000
5	125,000,000	68,040,000	193,040,000	188,832,000	— 4,208,000
6	125,000,000	68,040,000	193,040,000	188,784,000	— 4,256,000
7	125,000,000	68,040,000	193,040,000	188,712,000	— 4,328,000
8	125,000,000	68,040,000	193,040,000	188,664,000	— 4,376,000
9	125,000,000	68,040,000	193,040,000	188,616,000	— 4,424,000
1980	125,000,000	68,040,000	193,040,000	188,568,000	— 4,472,000
1	125,000,000	68,040,000	193,040,000	188,520,000	— 4,520,000
2	125,000,000	68,040,000	193,040,000	188,448,000	— 4,592,000
3	125,000,000	68,040,000	193,040,000	188,400,000	— 4,640,000
4	125,000,000	68,040,000	193,040,000	188,328,000	— 4,712,000
5	125,000,000	68,040,000	193,040,000	188,256,000	— 4,784,000
6	125,000,000	68,040,000	193,040,000	188,184,000	— 4,856,000
7	117,674,000	68,040,000	185,714,000	188,136,000	+ 2,422,000
8	. .	34,020,000	34,020,000	180,792,000	+ 146,772,000
Totals	$6,687,674,000	$3,719,115,000	$10,406,789,000	$14,187,790,000	$+3,858,539,000 — 83,010,000

Year	To U.S.A. March 31st	To Britain Dec. 31st	From Germany March 31st	Balance
1931	$ 14,621,250	$ 20,655,000	$ 50,903,340	$+ 15,627,090
2	14,706,125	21,263,000	50,903,340	+ 14,934,215
3	14,790,875	21,870,000	50,903,340	+ 14,242,465
4	15,075,500	21,870,000	50,903,340	+ 13,957,840
5	15,459,750	21,870,000	50,903,340	+ 13,573,590
6	15,943,500	21,870,000	50,903,340	+ 13,089,840
7	16,626,625	21,870,000	50,903,340	+ 12,406,715
8	17,008,875	21,870,000	50,903,340	+ 12,024,465
9	17,590,625	21,870,000	50,903,340	+ 11,442,715
1940	18,171,625	21,870,000	50,903,340	+ 10,861,715
1	21,103,750	21,870,000	50,903,340	+ 7,929,590
2	21,662,750	21,870,000	50,903,340	+ 7,370,590
3	22,220,250	21,870,000	50,903,340	+ 6,813,090
4	22,876,250	21,870,000	50,903,340	+ 6,157,090
5	23,530,500	21,870,000	50,903,340	+ 5,502,840
6	24,083,000	21,870,000	50,903,340	+ 4,950,340
7	24,434,000	21,870,000	50,903,340	+ 4,599,340
8	24,984,000	21,870,000	50,903,340	+ 4,049,340
9	25,532,500	21,870,000	50,903,340	+ 3,500,840
1950	26,279,500	21,870,000	50,903,340	+ 2,753,840
1	31,449,000	21,870,000	50,903,340	— 2,415,660
2	32,134,000	21,870,000	50,903,340	— 3,100,660
3	32,815,000	21,870,000	50,903,340	— 3,781,660
4	33,492,000	21,870,000	50,903,340	— 4,458,660
5	34,465,000	21,870,000	50,903,340	— 5,431,660
6	35,332,500	21,870,000	50,903,340	— 6,299,160
7	36,195,000	21,870,000	50,903,340	— 7,161,660
8	37,152,500	21,870,000	50,903,340	— 8,119,160
9	37,904,500	21,870,000	50,903,340	— 8,871,160
1960	38,752,000	21,870,000	50,903,340	— 9,718,660
1	43,141,750	21,870,000	50,903,340	— 14,108,410
2	43,898,000	21,870,000	50,903,340	— 14,864,660
3	44,646,750	21,870,000	50,903,340	— 15,613,410
4	45,388,000	21,870,000	50,903,340	— 16,354,660
5	46,121,750	21,870,000	50,903,340	— 17,088,410
6	47,348,000	21,870,000	50,903,340	— 18,314,660
7	48,563,000	21,870,000	85,418,520	+ 14,985,520
8	50,266,750	21,870,000	85,418,520	+ 13,281,770
9	51,955,500	21,870,000	85,418,520	+ 11,593,020
1970	52,629,250	21,870,000	85,418,520	+ 10,919,270
1	56,394,000	21,870,000	85,418,520	+ 7,154,520
2	57,434,000	21,870,000	85,418,520	+ 6,114,520
3	58,459,000	21,870,000	85,418,520	+ 5,089,520
4	59,469,000	21,870,000	85,418,520	+ 4,079,520
5	60,464,000	21,870,000	85,418,520	+ 3,084,520
6	61,944,000	21,870,000	85,418,520	+ 1,604,520
7	63,404,000	21,870,000	85,418,520	+ 144,520
8	65,844,000	21,870,000	85,418,520	— 2,295,480
9	67,254,000	21,870,000	85,418,520	— 3,705,480
1980	67,644,000	21,870,000	85,418,520	— 4,095,480
1	74,048,000	21,870,000	85,418,520	— 10,499,480
2	75,768,000	21,870,000	85,418,520	— 12,219,480
3	76,428,000	21,870,000	85,418,520	— 12,879,480
4	78,048,000	21,870,000	85,418,520	— 14,499,480
5	78,608,000	21,870,000	85,418,520	— 15,059,480
6	80,128,000	21,870,000	85,418,520	— 16,579,480
7	80,988,000	21,870,000	85,418,520	— 17,439,480
8	....	....	85,418,520	+ 85,418,520
TOTALS	$2,382,677,500	$1,244,768,000	$3,711,727,680	+349,257,290 —264,975,110

Year	From Germany March 31st	To U.S.A.	Balance
1931	$ 27,512,100	$ 7,300,000	$+ 20,212,100
2	27,512,100	7,950,000	+ 19,562,100
3	27,512,100	8,450,000	+ 19,062,100
4	27,512,100	9,050,000	+ 18,462,100
5	27,512,100	9,550,000	+ 17,962,100
6	27,512,100	12,672,500	+ 14,839,600
7	27,512,100	12,716,500	+ 14,795,600
8	27,512,100	12,757,000	+ 14,755,100
9	27,512,100	12,694,000	+ 14,818,100
1940	27,512,100	12,731,000	+ 14,781,100
1	27,512,100	12,664,500	+ 14,847,600
2	27,512,100	12,698,000	+ 14,814,100
3	27,512,100	12,728,000	+ 14,784,100
4	27,512,100	12,654,500	+ 14,857,600
5	27,512,100	12,681,000	+ 14,831,100
6	27,512,100	12,704,000	+ 14,808,100
7	27,512,100	12,723,500	+ 14,788,600
8	27,512,100	12,739,500	+ 14,772,600
9	27,512,100	12,652,000	+ 14,860,100
1950	27,512,100	12,664,500	+ 14,847,600
1	27,512,100	12,673,500	+ 14,838,600
2	27,512,100	12,679,000	+ 14,833,100
3	27,512,100	12,681,000	+ 14,831,100
4	27,512,100	12,679,500	+ 14,832,600
5	27,512,100	12,674,500	+ 14,837,600
6	27,512,100	12,766,000	+ 14,746,100
7	27,512,100	12,750,500	+ 14,761,600
8	27,512,100	12,731,500	+ 14,780,600
9	27,512,100	12,709,000	+ 14,803,100
1960	27,512,100	12,683,000	+ 14,829,100
1	27,512,100	12,653,500	+ 14,858,600
2	27,512,100	12,720,000	+ 14,792,100
3	27,512,100	12,680,500	+ 14,831,600
4	27,512,100	12,737,000	+ 14,775,100
5	27,512,100	12,686,500	+ 14,825,600
6	27,512,100	12,732,500	+ 14,779,600
7	12,624,600	12,671,500	— 46,900
8	12,624,600	12,707,000	— 82,400
9	12,624,600	12,735,500	— 110,900
1970	12,624,600	12,757,000	— 132,400
1	12,624,600	12,671,500	— 46,900
2	12,624,600	12,682,500	— 57,900
3	12,624,600	12,686,500	— 61,900
4	12,624,600	12,683,500	— 58,900
5	12,624,600	12,773,500	— 148,900
6	12,624,600	12,853,000	— 228,400
7	12,624,600	12,822,000	— 197,400
8	12,624,600	12,784,000	— 159,400
9	12,624,600	12,739,000	— 114,400
1980	12,624,600	12,787,000	— 162,400
1	12,624,600	12,824,500	— 199,900
2	12,624,600	12,851,500	— 226,900
3	12,624,600	12,868,000	— 243,400
4	12,624,600	12,774,000	— 149,400
5	12,624,600	12,773,000	— 148,400
6	12,624,600	12,861,500	— 236,900
7	12,624,600	12,216,000	+ 408,600
8	12,624,600	....	+ 12,624,600
TOTALS	$1,268,176,800	$703,540,000	$+567,450,800 — 2,814,000

THE PLAN

Redistribution and Revaluation

From all quarters the cry goes out for co-operative action, and for redistribution of the Gold Supplies to meet a situation more desperate than ever before known. We are on the edge of a conflagration—let us stop fiddling—now.

REDISTRIBUTION without REVALUATION of GOLD, *is out of the question.* On its present basis *there is nothing to redistribute.* America's supply of Gold is within a small margin of being *unequal to her own requirements:*—In January, according to Arthur Brisbane in the New York *American* of March 22nd, 1932, she was within a mere 200 million dollars of being *forced off the Gold Standard.* Only Government action on *Saturday, April 9th,* prevented a situation which might have forced her off it. America's "Statutory requirements" for the Gold Standard is that she must have 40% Gold covering for *all her currency (including Gold).* That is a more rigid "requirement" than others, as under this regulation she might have *more Gold than paper currency issued, and still be forced off the Gold Standard.*

In the Chart on GOLD RESERVES in this book, America is shown as having 4,364 Million

Dollars of Gold as at September, 1931, and her paper currencies all told, as of the nearest available corresponding date on which accurate data are found, namely, June, 1931, were 3,356 Millions of Dollars. If her "Statutory requirement" had been *"Gold to paper"*, that would have given her a *covering of 130%*. In the "Statistical Abstract of the United States for 1931", issued by the United States Department of Commerce, page 248, on "Money", the last line of the Chart fully supports this contention. This item shows eight different classifications of currency, including Gold (as of 1930), totalling 8,713 Million Dollars, and the Gold held at that time as 4,593 Million Dollars, but it claims this only makes a 52% covering—*according to America's Standard.*

Going back to the question of her present position, if America is that close to her limit, *what position are the others in?* America's paper currency is not large; in fact if she had three times as much of both Gold and paper as she has, this depression and financial stringency *would be over in a week. What of the others who have so little—* Britain with *1/6th* as much at the dates of the Chart, and Germany with *1/14th* as much, while Italy had *1/15th* as much Gold.

Already strained to a point where money shortages caused frequent panics before the War, the subsequent post-war business expansion and huge wastes of the war, with their legacies of debts which cannot be met,—the whole fabric totters into collapse. We cannot wait for precarious Gold

ventures in mining fields to make up the shortages, or count on the pitiful supplies Britain is persuading the Rajahs of India to let her have at premiums to meet the situation:—THERE IS ONE WAY OUT—AND ONLY ONE:—*THAT IS BY A REVALUATION OF THE 73% OF GOLD HELD BY THE SIX NATIONS INVOLVED IN WAR DEBTS AND REPARATIONS—AT FIVE TO ONE.* This ratio is not too large. *It will take half of the increase to COVER their currencies as they SHOULD BE COVERED,*—ACCORDING TO THE UNITED STATES STANDARD, WHEREIN ALL PAPER, SILVER, NICKEL AND COPPER ARE *COVERED AND REDEEMABLE IN GOLD:*—That is *A GOLD STANDARD WITH A REAL MEANING.* The other half will neatly provide for a general liberalization of business to bring it into *a higher plane than ever before and anticipate the expansions of the next 25 years.*

On what principle can this be done? The answer is not hard to find. Real estate, livestock, machinery, wages, food and all commodities, *are 10 to 100 times the value they were when the Gold Standard was fixed at its present values. GOLD ALONE HAS NOT ADVANCED IN VALUE.* Gold *must be plentiful and cheap, if business is to be good,* and facilities provided for making the world prosperous. As Sir Josiah Stamp says, "A fall in the value of Gold, and an increase in commodity prices will lead to an improvement in world conditions". Gold can only be made cheaper *by making it more plentiful.* That will bring

commodity prices up, and the more revaluation Gold is given, the more plentiful and cheap it will become, and the higher commodity prices will go as a result.

There is a reasonable point, however, *beyond which we must not go, and great care must be exercised in this matter,* as we must avoid *GOLD INFLATION* to too high a point, as well as any other form of unhealthy inflation. The figure of *5 to 1* is suggested as a basis *ample for currency needs,* and for the anticipation of the needs *of 25 years hence.* A REVALUATION of 10 to 1 would be justifiable on the soundest possible grounds, if such an increase were necessary, and if it would definitely avoid GOLD INFLATION, but there are risks which it will be better not to take. Twenty-five years hence, if the leading nations plunge into *another period of folly,* a further revaluation may become necessary, but it would be infinitely better for it to come through natural processes,—and if the present proposed REVALUATION results in a period of great prosperity—*as it will,* a further REVALUATION of 2 to 1 may again be in order. It can only come about as a result of *TREATY action by a group of Nations whose combined holdings, national importance, and need of the facility of money, place them in a position where their holdings and importance amount to a "majority of World Interest".*

Gold is an INTERNATIONAL MEDIUM—not a NATIONAL medium, and some of our troubles are due to a misconception on this point—

as well as to its shortage, and also for lack of REVALUATION, to bring it into line with the commodities *which it represents.* For any single nation to take NATIONAL action and reduce the Gold content of its currency, is *"to debase the coinage"* and will not get her anywhere. *An International Medium cannot be altered except by International action.* Such action by a group controlling a *majority of the metal*—as well as a *majority of World values* (all grown out of it, and related to it), *is legal,* and right, if the objects in view *are also right.* In this case the object appears to be not only right, *but most imperative.*

But what about the legal aspect:—*Legal opinion is not available*—there is no precedent—*it has never been done.* Frequently such situations are encountered: Is there then no thesis to support such action?—(the World is skittish about doing things not done before). This has happened before in so many other things that we have just overlooked it, or lost the *golden* key:—It has been *so close before our eyes* that, like many other things too close in likeness, we mistake them. Nature is doing it on all hands. The acorn grows into an oak,—seeds into priceless increases of crops,—small herds into greater ones. Our whole life consists of making small things into larger and greater ones—*and still Gold has not been revalued.*

Every financier, banker, industrialist or merchandiser is as familiar with the underlying fundamentals as he is with his hands or feet. In many cases it is the same golden key with which he has opened tunnels into subterranean vaults

of wealth. By careful planning and hard work,—sometimes with ingenious devices, patents or for many reasons, a business capitalized at $100,000 grows—by ploughing back the profits, as well as by natural changes through time and evolution in the values of its equipment—until his assets are worth $1,000,000, and demonstrate over a period of years that they have a sustained earning power to justify such values—what happens? The earnings really become too great in relation to the original capital and out of line with similar businesses, so he follows a definite precedent:—He recapitalizes the business—reorganizes it into a $1,000,000 corporation, and issues 10 to 1 in shares to his Shareholders (often only to himself). "That is creating wealth by manipulation," some will say. Not at all,—if the *values and earning power are demonstrated.* The change did not take place just when he was reorganizing—it took place over the previous 10, 20, 30 or possibly more years.

So with Gold;—the accumulation of Gold in the World *has been going on for thousands of years;*—a lot of our present supplies have been produced with slave labour—at no cost;—much of it at not more than 10c, 25c or 50c per day—and still it has not been revalued, reorganized or recapitalized, to bring its value into line with advanced and modernized conditions of to-day. Everything else on earth has—with the exception of Money.

Having explored Nature's processes of Revaluation by increases, and the precedents in general use, as applied to business reorganizations, let us now observe another and still greater

precedent for GOLD REVALUATION. It is admitted on all hands and in all lands that no business is sound which is not periodically subjected to Appraisal; to ascertain if the Assets are greater or less than shown in the books;—to ascertain what the replacement values would be in case of a total or partial loss by fire;—to learn what the values are, so that in case of an offer to purchase, the actual worth of the business will be known, and so facilitate the transaction. The consideration to be observed is: What would it cost to replace this Plant, this Machinery, this Inventory, in case of a loss;—calculated on its replacement in time to prevent the year's output being interrupted. If there is an interruption, the losses of the interruption then become part of the "Cost of Replacement". Apply this test, which is the first principle to be observed in opening a new business, (or in the reorganization of an old one) as well as the first act in "opening the accounts," to the question of the Gold Reserve, and it is immediately transparent that the Gold in Reserve in the World is incapable of replacement in less than twenty or more years, even with the inducement of the new price of $40.00 per ounce to the Mines.

The Gold Reserves in the vaults of all nations have been included in their Annual Balance Sheets at the same figures from year to year and from decade to decade, although the Index Tables for commodities, labour and everything else may have advanced in value ten times or fifty times during the last century. There would appear therefore to be no sound ethical grounds for questioning the

action proposed, and no custom or precedent need be swept aside to do so; while on the other hand, what has been done has been wrong and unethical, inasmuch as the nations have failed to make correct entries in their Annual Balances of the "Cash on Hand," based on replacement costs.

Silver, Nickel or Copper cannot become a "STANDARD", but they are useful, even as mortar in the wall is useful;—these, like the mortar which divides the bricks, divide the Gold, but cannot of themselves form the Wall. They will continue to be useful, and will also gain in their importance with a Revaluation of Gold, as there will be more Money to divide, and more Silver, Nickel and Copper will be needed. *This will automatically solve the Silver Problem of the East and correct also the evils of poverty existing there.*

The problems of REVALUATION and REDISTRIBUTION are, therefore, closely interrelated. One cannot be successfully dealt with without dealing with the other at the same time. Some nations in this group do not happen to be in actual possession of their proper share at the moment, *but that cannot be allowed to work new hardships on them.* Their requirement of Gold is in *exact relationship to their total wealth, annual income, Gold holdings and potential importance.* These factors must first be weighed out carefully, to allow of issuing them a Gold Ration *equal to their needs,* as determined by their actual economic importance, and their economic importance relative to one another. Nor must there be any hardship to those who, by reason of foresight or thrift, now have more than the others. If their combined

resources are all pooled, and all who contribute to the Pool are given credits *for double the present value of Gold,* or say *an even $40.00 per troy ounce,* that cannot be thought a hardship. The Plan then is to revalue the Gold in the hands of the Pool at an even $100.00 *per ounce,* and *reissue it* according to the Formula in this Chapter.

Advance Details of Equations in the Formula

1. Concessions will be necessary (in any case) to successfully consummate any plan of equitable settlements which aim to serve the ends in view. The United States and France will have relatively less Gold than before; this is unavoidable, as it is the disparity of Gold at the present time which has created the situation we now have. Relativity in this matter is of much less consequence than actuality, because actually these two countries will have billions of Gold in excess of the amount which they now have in excess of the other four.

2. Placing the French and American Gold Reserves in Item 1 of the Formula for REDISTRIBUTION, has the effect of increasing their ratios, and might at first glance lead to the belief that the Formula is not calculated on an equitable conception of the "National Needs of Money" of the nations concerned. It must be remembered, however, that the present preferred position of these two countries already exists; that their holdings of Gold give them a "Present Importance" in the group, and that their present importance and security cannot be overlooked in

the Formula. They already have the position, and this position is not immediately or seriously threatened from a monetary point of view, except through the unfavourable reactions which might occur through a collapse of the economic system of some of the others. In such a case their difficulties might be almost as great as though they had arisen within their own economic orders.

3. The proposed REVALUATION of FIVE to ONE, or to $100.00 per troy ounce, is a little less than this amount in practice, inasmuch as the present value of the United States ounce is $20.67. The reasons for the decision to use Dollars throughout this Article as a basis of calculation are twofold:—

(a) Dollars already constitute about one-half of the combined turnover in money of these six nations.

(b) It is a decimal system and is better understood, possibly, than any of the other currencies.

4. If the conception of the REVALUATION PLAN is accepted as sound, the nations are in the position of a landowner whose property is so lacking in value that he has to work day and night to make a living on it, when—all at once—he discovers an oil well on it, which uncovers hidden wealth, and from the proceeds he is able to pay off the mortgage, put up new buildings and plan developments on a larger scale, as well as live as he should.

5. The objects in view outweigh all minor considerations, and should more than offset what may appear to be unfavourable equations in the Formula. The total of Gold owned by all the six nations amounts to about 1½% of their combined

National Wealth, and by the REVALUATION PLAN would be increased to not more than 7½% of their National Wealth. It is exercising an undue influence upon the larger item, and in practice any small error which might creep in on this 1½% item of our economic system must be considered in relation to the 98½% item which is at a standstill because of the dislocation of the smaller one. The objects aimed at are condensed as follows:—

(a) Immediate liquidation of Germany's Reparations debts.

(b) Liquidation of the Allied Nations' War Debts to one another, and particularly to United States.

(c) Provision for a full Gold covering of all currencies, inclusive of coins as well as notes.

(d) Creation of an International Gold Coinage, thus terminating this "reign of terror" in exchange.

(e) The removal of grounds for misunderstandings from economic causes.

(f) At the conclusion of the proposed Treaty, extending similar advantages to all other nations.

Formula for Redistribution

As stated previously, a FORMULA for REDISTRIBUTION of Gold, to be equitable, or to be acceptable to all concerned, must be based on the following considerations:—

(1) Present Position.

(2) Economic Needs.

To arrive at this it is necessary to make calculations which include all those uses which absorb or employ Money in the conduct of the Nations' business. These are embraced in the following four items:—

(A) Actual Gold now held by each nation, respectively.

(B) National Income, or the total value of the Nation's Production.

(C) Export and Import Trade combined.

(D) Immobilized Funds, or Money in public circulation.

(A) The first ingredient in this Formula excludes paper money, as it is more in the nature of a liability. It does not include Silver or other coinage, since they are, under a proper "Standard", included in "currencies covered by Gold", and would therefore add a doubtful ingredient.

(B) This Item is based on each nation's total production of commodities and manufactures for the period of one year, and divided by twelve so as to base the Item on the actual Money required to handle one complete turnover. The thirty-day basis is selected as an average;—a large volume of sales is on a "Cash" basis; on the other hand quite a large part of the turnover is based on long terms of 60 or 90 days, or even more. In the Western Hemisphere thirty days continues in favour and would probably be about the average extension of credit and as good as any. In any event its application uniformly made in a FORMULA involving six nations would place them on an equal footing.

(C) The Foreign Trade Items are arrived at by taking the yearly averages for a five-year period, of both Exports and Imports, as shown in the Tables in this book, which are copied from the Statistical Bulletins issued by the League of Nations. These average Exports must be added to the average Imports and their total divided by four and extended into the FORMULA in their added form. The reason for this is that each Nation—paradoxical as it may seem—is obliged to finance its Exports as well as its Imports. In making goods for export to a foreign Country, a manufacturer is obliged to purchase raw material, fabricate the goods; ship, and often pay transportation charges, as well as wait for the return of his capital. In Importing, the Merchant will carry the goods for an average of three months before closing out his stocks and "cashing in". Taking three months as the average time for which Money is tied up in this class of business appears to be a fair basis. By dividing the average yearly totals by four, we put it on a three months' basis.

(D) "Immobilized Funds" are moneys temporarily out of use and held in expectation of need, and are classified as "Money in Circulation". These Funds constitute a National Need as much as any Money does. They include Cash in tills, registers, institutional funds, individual pocket money, dealers' cash, sums hoarded or hidden under carpets or behind mantels, where prodigal members of the family cannot find them. Under normal conditions these amounts work out at $36.71 per capita for the year 1930 in the United States. The amount may be higher than this in Countries where Banks are less patronized by the public. The figure selected for this ingredient is $30.00 per head of population, and applies equally to all.

The Charts included in this Work contain, as far as it has been possible to obtain, reliable and official Data on which to base these equations, and while the Data supplied must necessarily be subject to such revision and adjustment as more recent or more comprehensive Statistics would allow of, they form a sound basis for the build-up of a FORMULA calculated to determine the "Relative Needs for Money" of the six nations included in this calculation. It must be carried in mind that this calculation aims to determine the *Relative* amounts of Moneys needed, and not the definite, actual amounts:—In other words to arrive at a percentage basis for a PLAN OF REDISTRIBUTION of existing Supplies of Gold.

Let us proceed to ascertain what the "Money Needs" of one of these Countries would be with such a *Formula*. Let us first take

THE UNITED STATES OF AMERICA

1.	Actual Gold in Reserve	$ 4,364,000,000
2.	Annual National Income:— $70,000,000,000 divided by 12....................	5,833,333,333
3.	Combined Export and Import Trade:— Yearly Average over 5 year period, $8,629,000,000, divided by 4, or	2,157,250,000
4.	Moneys not in use:—Population of 122,775,095 at $30.00 each	3,683,252,850
	Theoretical Estimate of Money Required.. or 45.45% of Total.	$16,037,836,183

Now,—familiar with this simple calculation—based on the accompanying charts, the reader is able to make the detailed calculations of the "Relative Needs" of the six Nations. Without detailing them here, they are:—

United States (as above)	$16,037,836,183	or	45.45%	of Total
Great Britain	5,734,444,446	or	16.25%	of Total
France	5,338,165,410	or	15.13%	of Total
Germany	4,632,981,026	or	13.13%	of Total
Italy	2,397,731,716	or	6.79%	of Total
Belgium	1,145,555,670	or	3.25%	of Total
Theoretical Estimate of Money Required:— Grand Total	$35,286,714,451		100.00%	

From these figures we are now able to determine what percentages of the Gold Supply these six Nations should have, to carry out a "PLAN OF REDISTRIBUTION" based on "Needs."

Without adding unnecessary figures, we shall now proceed to Redistribute the existing Gold Supplies now held, in accordance with the following Chart, and also place the percentages for each Nation as shown in the preceding Chart, to arrive at the net amounts of Gold for each Country.

Redistribution and Reissue Plan.

(Present Total of Gold to Divide:—$8,288,000,000)

Country	Percentage		Amount
United States	....45.45%	of $8,288,000,000	$3,766,896,000
Great Britain	....16.25%	of $8,288,000,000	1,346,800,000
France	..........15.13%	of $8,288,000,000	1,253,974,400
Germany	........13.13%	of $8,288,000,000	1,088,214,400
Italy	.... 6.79%	of $8,288,000,000	562,755,200
Belgium	.... 3.25%	of $8,288,000,000	269,360,000
	100.00%		$8,288,000,000

Pooling Plan.

No Nation would be disposed to Pool its Gold with others having less, except it can be done to advantage—and profitably. At present Gold is changing hands among the Nations on the basis of $20.67 per troy ounce, in exchange for goods or in settlement of obligations. This Plan provides for all the Gold to be turned over to the Pool on a basis at which the Sellers are credited with an even $40.00 per ounce. After the final REVALUATION has taken place, the Pool pays them back with new Gold *of equal value* in the New Standard. This being so, this transaction would be a profitable one for those making the largest contributions to the Pool. On the other hand, those Nations which receive an increased ration are CHARGED $40.00 per ounce for the amounts they receive on REDISTRIBUTION, in excess of the amounts which they held before the Pool was formed.

The REDISTRIBUTION is accomplished in one stage, while the proposed REVALUATION requires two stages;—one at $40.00 per ounce to equalize the existing maldistribution, and to give premiums to those Nations which, by pooling their Gold, make the success of the Plan possible;—and also to enforce penalties on those receiving an increased ration of Gold. FINAL REVALUATION from $40.00 to $100.00 per ounce follows later, and amounts to the Recapitalization of our "Inheritances of Gold," due to the discovery that the existing supplies are not being accounted for at their true values.

The Pool having offered $40.00 per ounce for all the Gold, the holders of same accept this offer (with definite reservations as to the final disposition), and the Pool is then definitely incorporated, with powers to act as Trustees to "hold the stakes". It is not intended that any actual disturbance or Gold movement should take place, and token money will serve throughout the execution of this Plan until its conclusion. The Gold Supply has now been sold to the Pool and Credits issued on the following basis:—

Country	Sold to Pool Old Supply @ $20.67 oz.		New Price Paid @ $40.00 oz. (by cheques.)
United States ..	$ 4,364,000,000		$ 8,445,081,880
Great Britain ...	656,000,000		1,269,471,520
France	2,326,000,000		4,501,205,420
Germany	310,000,000		599,902,700
Italy	286,000,000		553,458,620
Belgium	346,000,000		669,568,820
Present Value..	$ 8,288,000,000	New Value	$16,038,688,960

Having paid $40.00 per ounce and having all the available Supply in its possession, the Pool now declares the price of Gold is $40.00 per ounce, or $16,038,688,960. At this stage the Plenipotentiaries of the Nations involved confirm their action. The Pool now offers to resell it to the six Nations at $40.00 per ounce, which will enable the Pool to liquidate its liability assumed by it on purchase. In doing so it fixes the quota which each Nation may have, according to the percentages determined by "Actual Needs". This makes the Distribution as follows:—

Country	Repurchase from Pool— Percentages	New Issue— Debited to Nations @ $40.00 per ounce
United States	45.45%	$7,289,584,132
Great Britain	16.25%	2,606,286,956
France	15.13%	2,426,653,640
Germany	13.13%	2,105,879,860
Italy	6.79%	1,089,026,980
Belgium	3.25%	521,257,392
	100.00%	$16,038,688,960

At this point it will be observed that, in addition to the New Issue credited to each Nation, there are Credits to three of the Nations equal to the differences between the amounts at which they sold, and the amounts they are debited with on Reissue; while on the other hand, three other Nations who made the smallest contributions to the Supply have Debit balances, to be subtracted later.

The Gold remains in the hands of the Pool (in Trust) for the individual Nations, and final settlement is not yet made.

At this point a TREATY is concluded, in which the Plenipotentiaries agree to and draft a uniform "REVALUATION BILL" having an *International* character, and requiring only ratification by their Home Governments. In this REVALUATION BILL the Gold is *Revalued at $100.00 per ounce.*

It is now in order to balance accounts and ascertain how much the Debtor Nations owe the Pool for the larger Gold rations issued to them, as well as the amounts to be added to the holdings of United States, France and Belgium on the Credit side. When these are determined, the final REDISTRIBUTION and REVALUATION are both concluded.

Final Position — After Redistribution and Revaluation, but Before Payment of War Debts

Country	Holdings, also Credits on Balances,—or Debits.	Total of Gold now held.
United States	$ 18,223,960,331	
By Credit on difference between sale and repurchase,—plus	1,155,497,748	
		$ 19,379,458,079
France	6,066,634,099	
Plus Credits	2,074,551,780	
		8,141,185,879
Great Britain	6,515,717,390	
Less Debits	1,336,815,436	
		5,178,901,954
Germany	5,264,699,651	
Less Debits	1,505,977,160	
		3,758,722,491
Italy	2,722,567,451	
Less Debits	535,568,360	
		2,186,999,091
Belgium	1,303,143,478	
Plus Credits	148,311,428	
		1,451,454,906

Whereas adjustments of Reparations since the time of the Versailles Treaty have been made by reducing the principal amounts and extending the time for payments to longer and still longer periods, in order to make them possible for the chief debtor—Germany;—the Inter-Allied debts have been treated in the same manner in order to have the payments synchronize with receipts of Reparations from Germany. As previously stated, the 1929 arrangement reduced Germany's net obligation from what had been Thirty-three Billion Dollars to something over Eight Billion Dollars;

but by additions of compound interest over a period of 59 years, the amounts of Principal, with Interest added, have grown to more than Twenty-seven Billions of Dollars, or an amount almost equal to the former figure.

This is not hard to understand, since no departure from established custom in such a case is justifiable, as all who owe money can appreciate. The Debtor's inability to liquidate more quickly was anticipated, as evidenced by the extended periods of time;—and the possibilities of reversing this process by exploring a method of making immediate payment, and so avoiding the huge Interest payments, were not considered, due to the non-existence of a Plan which would make it possible to do this without creating new hardships for the Debtor or Creditor Nations. The Gold Reserves, after Revaluation as shown on preceding pages, would now appear to offer an opportunity to do so, and at the same time, to do so with GOLD. If this is so it offers an honourable, and equitable method by which a dangerous International situation may be wiped off the slate at once. Further concessions however, will again become necessary, but none of a nature which would violate our customs, nor create fresh misunderstandings: Nor would they be of such a nature as to impose losses—in the long run—for those granting the concessions, as will appear later. On the other hand they would result in very substantial net cash advantages over a corresponding period of future years, to those Nations from whom these concessions might come.

Let us leave the new REVALUED GOLD where it lies on the table until this next possibility is explored.

At this point in the deliberations the Debtor Nations make the following preamble, in their appeal to the Creditor Nations:—

"These debts which we owe to you over the next 58 years grew to their present proportions through the additions of Compound Interest. If we can now pay you in GOLD, will you allow us a Compound Discount of 2½%?

"These obligations have been built into their present structure by that process, and are now in a state of fixity: Some have had small interest charges added;—some of them none at all for short periods;—others larger Interest rates;—but that is all settled and incorporated in fixed Annuities in the Young Plan, and we accept their fixed nature, for the purpose of these negotiations, as irrevocable.

"In making this request we feel we are asking a concession which will have mutual advantages, and the figure of 2½% discount has been taken because it is a lower rate than any which this money would bring you, if reinvested. It also has the additional merit of being in line with the rate of interest paid on what may be considered the World's oldest and premier security, namely 'British Consols'."

If the Creditor Nations agree to this proposal, the way is clear, except for one further concession —a safe and sound one. Assuming the answer to be in the affirmative on the proposal for immediate payment of War Debts and Reparations, the net balances which would be immediately payable by the Debtor Nations are as follows:—

Reparation and Inter-Allied War Debts—With Deductions of a Compound Discount of 2½%.—A Plan for Immediate Payment in Gold

		Totals, inclusive of Interest, as now in Young Plan for long-term payments.—As per Chart. $	Amounts of Deductions of Compound Discount, at 2½%, for 58 years. $	Net Amounts Payable in GOLD, after deductions of Compound Discount of 2½%. $
United States	from Germany ...	744,888,000	533,454,000	211,434,000
	from Gt. Britain .	9,820,215,000	7,231,800,000	2,588,415,000
	from France	6,687,674,000	5,050,801,000	1,636,873,000
	from Italy	2,382,677,000	1,799,494,000	583,183,000
	from Belgium ...	703,540,000	531,342,000	172,198,000
	from Others	996,272,000	752,425,000	243,847,000
		21,335,266,000	15,899,316,000	+5,435,950,000
Great Britain	from Germany	5,171,856,000	3,936,869,000	1,234,987,000
	from France	3,719,115,000	2,831,028,000	888,087,000
	from Italy	1,244,768,000	940,099,000	304,669,000
	from Others	520,158,000	403,380,000	116,778,000
		10,655,897,000	8,111,376,000	2,544,521,000
	owes U. S. A.	9,820,215,000	7,231,800,000	2,588,415,000
		835,682,000	879,576,000	— 43,894,000
France	owes Gt. Britain..	3,719,115,000	2,831,028,000	888,087,000
	owes U. S. A.	6,687,674,000	5,050,801,000	1,636,873,000
		10,406,789,000	7,881,829,000	2,524,960,000
	from Germany ...	14,187,790,000	10,799,888,000	3,387,902,000
		3,781,001,000	2,918,059,000	+ 862,942,000
Germany	owes U. S. A. ...	744,888,000	533,454,000	211,434,000
	owes Gt. Britain ..	5,171,856,000	3,936,869,000	1,234,987,000
	owes France	14,187,790,000	10,799,888,000	3,387,902,000
	owes Italy	3,711,728,000	2,825,405,000	886,323,000
	owes Belgium	1,268,177,000	965,349,000	302,828,000
	owes Others	1,974,587,000	1,503,075,000	471,512,000
		27,059,026,000	20,564,040,000	—6,494,986,000
Italy	owes U. S. A.	2,382,677,000	1,799,494,000	583,183,000
	owes Gt. Britain .	1,244,768,000	940,099,000	304,669,000
		3,627,445,000	2,739,593,000	887,852,000
	from Germany ...	3,711,728,000	2,825,504,000	886,323,000
		84,283,000	85,812,000	— 1,529,000

	Totals inclusive of Interest, as now in Young Plan for long-term payments.—As per Chart.	Amounts of Deductions of Compound Discount, at 2½%, for 58 years.	Net Amounts Payable in GOLD, after deductions of Compound Discount of 2½%.
	$	$	$
Belgium owes U. S. A. ...	703,540,000	531,342,000	172,198,000
from Germany....	1,268,177,000	965,349,000	302,828,000
	564,637	434,007,000+	130,630,000
Other Countries			
owe U. S. A.	996,272,000	752,425,000	243,847,000
owe Gt. Britain ..	520,158,000	403,380,000	116,778,000
	1,516,430,000	1,155,805,000	360,625,000
from Germany ...	1,974,587,000	1,503,075,000	471,512,000
	458,157,000	347,270,000+	110,887,000
SUMMARY			
United States, Credit	21,335,266,000	15,899,316,000+	5,435,950,000
Great Britain, Credit	835,682,000	879,576,000	....
France, Credit	3,781,001,000	2,918,059,000+	862,942,000
Italy, Credit	84,283,000	85,812,000	....
Belgium, Credit	564,637,000	434,007,000+	130,630,000
Other Countries, Credit ...	458,157,000	347,270,000+	110,887,000
	27,059,026,000	20,564,040,000	6,540,409,000
Germany, Debit	27,059,026,000	20,564,040,000—	6,494,986,000
Great Britain, Debit	....	...........—	43,894,000
Italy, Debit	....	...........—	1,529,000
	27,059,026,000	20,564,040,000	6,540,409,000

Obviously Germany's new Gold Reserves of $3,758,722,491 will not pay her Reparations, in which case the other Debtor Nations would not be placed in a position to pay theirs, without disturbing the Gold Reserves which we have as an objective,—but it is equally evident that two of the Creditor Nations are, after the REVALUATION of GOLD, in possession of more GOLD than is necessary for the conduct of their National Trade, and more than is necessary for the covering of their

currency, as the paper currency issues now stand. They are in a position to loan to Germany a sufficient amount of their Surplus Gold to enable her to immediately liquidate all her Reparations, and all her short and long-term Commercial Loans which are now bogged for lack of means to do this. Germany, freed of Reparations and the short and long-term loans, would be placed in a position to give a security for such an advance equal to anything the World has to offer—a first charge security.

To simplify matters for the purpose of this illustration, let us assume that the United States consents to make the necessary loan. In view of the fact that it will enable her to recover all these other debts due her, as well as her share of Commercial Loans from Germany amounting to approximately $2,500,000,000, this would not even have the effect of reducing to any great extent the Gold Holdings of the United States. The amount which it would be necessary to loan Germany would be $9,000,000,000. America's total recovery from War Debts and Loans would be about $8,000,000,000. This would leave Germany's Gold Reserve position at more than $2,250,000,000, with short and long-term loans and Reparations—which now stand at a grand total of $31,000,000,000, with interest, entirely liquidated. Such a loan might be made by the United States singly, or in conjunction with one or two of the other Nations who will be in possession of surpluses in excess of their needs. America has refunded her own Federal Debts at 3.56%, so that the interest rate might be a reasonable one, and still be a good

investment. An arrangement of this kind would relieve Germany of the present pressing nature of both her Reparations and Commercial Loans, and with a Gold Reserve of over Two Billion Dollars, and Foreign Debt of Nine Billion Dollars, her *net* debit position would be Seven Billion Dollars, or well "within her admitted capacity". Assuming the loan is made, the croupiers who work under the instructions of the POOL NATIONS, can adjust this matter across the table without our aid and with more speed. Germany now authorizes the POOL to transfer from her portion of Gold, amounts which will liquidate all her Reparation Debts, and amounts to cover her short and long-term Commercial Loans.

By the same process the other Nations instruct the POOL to pay, IN GOLD, their War Debts to one another and to the United States, and afterwards they have the following Reserves of NEW GOLD which, by Treaty, has been made equal in value and purchasing power to the Old Standard.

Final Position—After Payment of All War Debts, Reparations and Germany's Long and Short-Term Commercial Loans.

	Gold Reserves—as per previous Chart, with War Debts, Reparations and Commercial Loans added, or subtracted, to Complete Liquidations	Final Gold Position of the Six Nations
UNITED STATES—GOLD	$19,379,458,079	
Less Loan (This Plan) to Germany	9,000,000,000	
	$ 10,379,458,079	
Plus Total Receipts from War Debts and Reparations	5,435,950,000	
Plus Receipts from Germany on Short and Long-Term Loans	2,500,000,000	$18,315,408,079
FRANCE—GOLD	$ 8,141,185,879	
Plus Balance, after Receipt of Reparations, and Payment of War Debts to Allies	862,942,000	$9,004,127,879
GREAT BRITAIN—GOLD	$ 5,178,901,954	
Plus Receipts from Germany on Short and Long-Term Loans	1,500,000,000	
	$ 6,678,901,954	
Less Debit Balance, after Receipt of Reparations, and Payment of War Debts to Allies	43,894,000	$6,635,007,954
GERMANY—GOLD	$ 3,758,722,491	
Plus Loan (This Plan)	9,000,000,000	
	$12,758,722,491	
Less Payment of all Reparations	6,494,986,000	
	$ 6,263,736,491	
Less Payment of Short and Long-Term Commercial Loans (Estimated)	4,000,000,000	$2,263,736,491

	Gold Reserves—as per previous Chart, with War Debts, Reparations and Commercial Loans added, or subtracted, to Complete Liquidations	Final Gold Position of the Six Nations
ITALY—GOLD	$ 2,186,999,091	
Less Debit Balance, after Receipt of Reparations, and Payment of War Debts to Allies	1,529,000	
		$2,185,470,091
BELGIUM—GOLD	$ 1,451,454,906	
Plus Balance, after Receipt of Reparations, and Payment of War Debts to Allies	130,630,000	
		$1,582,084,906

Summary of Results to be Obtained from Plan.

1. Only the NATIONAL GOLD RESERVES are increased by this Plan: The paper money and other coinage would remain at its present value relative to commodities.

2. ALL GOLD to be held as Government Reserves, and surrendered by all other holders during the transitional period. It may be necessary for all Nations joining in the Treaty to include in its Articles a Declaration making GOLD a Government Monopoly. Later on, after, say, a year or two, it might be desirable to put GOLD back into circulation, and if so, its new value would increase its utility, while its weight would not be an objectionable feature when considered in relation to its value,—as $1,000 would weigh only ten ounces.

Other things have been made Government Monopolies with less reason. France has made matches a Monopoly—and spirituous liquors and tobaccos, etc., have been made virtually so by other Nations. In these existing Monopolies the items named are in very general use—more so than GOLD—and are capable of imitation,—and still the Governments do successfully maintain their Monopolies. In the case of a Monopoly two prices are used; one being the cost or the amount paid for the material which goes to make the Monopolized article, while the other is the final valuation or price charged the public; the difference being a profit to the Government and consequently an easement of taxation.

3. Provision would need to be made for the surrender of all GOLD by the Public, and by Institutions, to the National Governments, and it is suggested that for a period of time the surrender price be fixed at a small premium of, say, 5% over the present value of $20.67 per ounce; said premium diminishing at a fixed rate per month, and the GOLD being subject to confiscation after a certain period—with, of course, the right to appeal, under certain conditions. The confiscated GOLD would then be remelted into new Currency having a fixed value of $100.00 per ounce.

4. All transactions as between producing mines, or placer miners and the Government, to be by license only;—the price to be paid to miners being $40.00 per ounce (which is the price previously fixed, and as paid in the REDISTRIBUTION PLAN). The margin of profit from Government Monopoly is sufficient so

that the producers may be treated generously, and such a policy would bring quite a number of low-grade mines on to a paying basis. It is thought that the extra profits which the mines would make under these conditions will be largely offset in a few years' time by increased costs and by greater commodity index prices. In view of the fact that all Gold-producing countries, with the exception of three, are producing less GOLD than they did some years ago, and that some of the largest producing fields are threatened with exhaustion or partial exhaustion in a few years, it will be necessary to give some such impetus to production, in order to make up for, and anticipate, exhaustion.

5. It may be asked "What about private gold—jewellery,—what will be the position of commercial users of gold — manufacturing, wholesale and retail jewellers—under the changed order?" It may be advanced in reply, that it would be no hardship if a few personal effects are increased in value. Had the situation been the reverse, it might have become a subject for contention. As for those engaged in the manufacture of articles made of Gold, or in the wholesaling and retailing of them, it is true their stocks will enhance in value by the difference between $20.67 and $40.00 per ounce. Their business, however, in the past three years has been rather poor, and their stocks are not large. Furthermore, their turnover is such that the transitional period would result in a liquidation of quite a portion of their supplies at the old prices.

The Governments, having made a Monopoly of GOLD, will find it necessary to take over those few

businesses engaged in supplying Gold Sheets, Gold Wire, Liquid Gold, Dental Gold, etc., etc., and the Government's price to these licensed industries might be at a reasonable advance over $40.00 per ounce, in order to cover a fair profit on this branch of the industry.

6. The League of Nations, as a Supervising Body to check the GOLD in RESERVE of each Nation, as well as the paper currencies outstanding, is merely a suggestion of the Author's. It might easily be that some more suitable organization could be created. The suggestion is made because of the League's existing organization and the fact that the League of Nations is International in character, and already possesses machinery for the publication of official monthly data in Bulletin form. Additionally, the League now enjoys the confidence and trust of a majority of the Nations. Whatever Body is entrusted with the responsibility of supervision, would be placed in a position where their Reports as to the GOLD RESERVES and Paper Issues of any particular country would be final, and would be the only medium which could again have the effect of placing the Currency of any country at a discount,—and that could only happen through that particular country issuing paper money in excess of its GOLD HOLDINGS.

7. The responsibility of holding GOLD RESERVES, adding to them or reducing them in liquidation of balances, is singularly a right and proper function of Governments, as is also the issue of Paper Currency,—and the universal

recognition and adoption of this principle would eliminate the dual nature of this function which exists in some countries. It would create difficulties for a Supervising Body in the discharge of their duties, to have certain institutions outside their control, so far as their control would go, and it is thought that in the long run such a change would not impose hardships on these institutions. At all events, the action suggested would make for that measure of confidence needed in all countries, and, if taken, would create a more prosperous condition for all concerned, in which all should share. In suggesting this, no hardship is desired for any of those splendid institutions which have, for the most part, maintained a very high standard of moral conduct, and whose contribution to the building up of our present social order must be gratefully acknowledged.

8. The Plan would partly fail in its object if it only created new GOLD wealth. What is more needed is an expansion of our whole Monetary System, including GOLD, Paper Currencies, and Credits. It has been previously pointed out that what we most suffer from at present is a contraction of Credit, and it seems entirely clear that this contraction is due to a disequilibrium in GOLD, and its total inadequacy to measure up in quantity with the requirements of business. Should the World's values and Credits increase, as they should under this Plan, the increases of Credits should be several times as great as the increases of the smaller item—GOLD. What appears to be greatly needed is CONFIDENCE, SECURITY and STABILITY.

9. The transitional period of any change is necessarily one which requires close and persistent application. Much is to be gained, and by comparison with existing conditions, no real risks are involved in the reorganization of the standards which govern our business transactions. To do so it follows that new trails must be blazed, if our economic system is to be raised to a higher level;—one in which wages, salaries and commodity prices will share. This does not appear to offer dangers, provided such changes continue to bear a proper relationship to the new standards which we set: — Firstly, of the GOLD in Reserve; — Secondly, the Currencies backed by the GOLD;— and Thirdly, the Credits which grow out of these other two. Mass psychology, however, is such that occasional checks—not setbacks—may need to be applied during the transitional period, and care must be taken to avoid runaway markets in which our sense of values might again go off the rails, as has previously happened at times when almost the only Reserves at the back of our System consisted of optimism.

Under such changed conditions, profits and margins in business will be of such a nature that taxation for Administration, National Development, and the liquidation of those National Debts which remain after the War Debts are settled, would cease to be a burden on the earnings of the people to the extent which they now are. Taxation has become universally unjust and iniquitous, inasmuch as it is not being levied upon the surplus earnings of individuals or corporations, but is now taking the form of a capital levy on the

remaining and depleted assets of the People, and if continued, will extinguish the Capital Assets, which would be equivalent to the amortization of our "tools of production".

10. This "fetish" of balancing Budgets without consideration of the interests of the Citizen, has no wisdom behind it whatever, although it is difficult to understand how it can be avoided. The effect of the increased taxation is to reduce the capacity of the taxpayer to pay. He who overloads his camel is unwise;—the camel is the only friend which will see him across the desert,—but he must be kind to him and not destroy his transport, or he will be left stranded without oasis on the bleaching sands.

11. In connection with suggestions herein made, it is greatly desired by the Author, that it be clearly understood he does not presume to tell any one country "what to do". His task is to set forth *"A PLAN"*, and in doing so to catalogue its prolific possibilities, in order to facilitate a rapid and full harvesting of its fruits—to the end that none of these rich possibilities be wasted—or lost through indecision, delay or oversight.

12. In the event of this Plan becoming an acceptable basis as between these Nations for the solution of our pressing problems, it does seem that its importance would become such that it might with advantage enlist the personal services of the *Chief Executives* of the Nations concerned. The United States has officially taken the position that any further advances must come from the Debtor Nations. Would it be too much to hope that this

Plan be presented by the European Nations to the United States of America as a suggested basis of their proposals?

13. In conclusion, may we explore some of the possibilities which these new GOLD Holdings of the Nations have to offer? By referring to the Final Gold Position of the Nations in the last Chart, we find the United States with more than Eighteen Billion Dollars of GOLD, of which not more than Ten Billions might be required for a full 100% covering of all her Currency, including GOLD. This would leave her with a surplus of Eight Billion Dollars of GOLD. If the reader will refer again to the Interest Table, he will see that the earning power of this Eight Billion Dollars of Gold, reloaned to America's friends to the South of her, and in various parts of the World, at as low a rate as 4%, and the Interest reinvested at the same rate, would yield in Interest alone SEVENTY BILLION DOLLARS in the same 58-year period as set down under the Young Plan for the collection of War Debts.

Assuming that France's GOLD is Four Billion Dollars in excess of her actual Currency needs, and that she could loan this and keep it reloaned, at 4% Compound Interest, the earnings on this money in the same 58 years would amount to THIRTY-FIVE BILLION DOLLARS.

There is no magic about this—it is a straight mathematical problem in simple arithmetic. It is the same process as is known and understood by all the large financial institutions of the World, and

by which process they have grown from moderate beginnings until their wealth has become what we see it to be.

14. It is now time to disclose that the suggested six nations who make up the Pool and act as Trustees for the six larger nations are those shown in the "Table of Unemployment." They are:—Canada, Holland, Switzerland, Norway, Sweden and Denmark. Each one might act, by invitation, on behalf of those six larger nations to whom this PLAN is of vital importance, not only because of their Gold position but also because of the Reparation and War Debt position. At the conclusion of The Revaluation Treaty it will be advisable to throw it open in the first instance to the six pool nations for their signatures. Their co-operation and importance would add greatly to the strength of The Treaty, and would raise the amount of Gold then revalued, to 80% of the world's known supply. It is not intended that the omission of the name of any nation has been an intentional oversight; the object has been to confine the PLAN in the first instance to those nations whose problems are urgent and nearly identical, and after The Treaty is concluded and the six pool nations have added their signatures, it would be advisable then to extend an invitation to all nations to subscribe to The Treaty, thus making it universal and extending its benefits to all countries: Their problem would presumably be simply that of adjusting their national currency legislation to bring it into harmony with The Treaty and to recoin their Gold. If the author might, without indelicacy, ask one concession for

his labour, it would be that Canada might have the honour of acting as Pool Member for the United States of America.


Balance restored
CANADA
U.S.A.
MEXICO

XIX

CANADA'S GOLD AND CURRENCY POSITION

CANADA'S GOLD AND CURRENCY POSITION

Dealing with a resolution before the Dominion Parliament at Ottawa, moved by Geo. G. Coote (Progressive member for Macleod, Alberta) for the abandonment of the Gold Standard as applied to the issuance of Dominion notes, Premier R. B. Bennett pointed out on February 29th that such action would mean the "ruination of the Dominion"; that Canada's obligations in the United States held her to her present policy. He might have added that Canada's premier securities issued by governments, railways, municipalities, public utilities and corporations are for the most part Gold-backed issues of bonds and debentures redeemable in Gold, and that the interest coupons are payable in Gold or its equivalent, at their maturity dates. Mr. Bennett's summarization that such a departure would be ruinous in a national sense appears to be entirely supported by the facts. These outstanding issues run for long periods, and the gold payment basis has been the foundation upon which our development as a nation has been founded. Long periods of international custom, based on a full measure of justice and equity for the investor, have combined to create that confidence we now witness in our premier Gold-backed securities.

Only a financial uprooting, like that in Germany in 1923, or a complete wiping out of the entire economic system like that of Russia, would relieve those obligated from redemptions as fixed by the terms of issuance, or in other words a "liquidation of the nation".

On March 1st, Premier Bennett stated that the Government policy was to maintain the Canadian currency without inflation, and backed by about 40c of Gold per dollar of paper money issued. In summarizing the position as of that date he gave $170,303,000 as the Dominion Government note issue, backed by $61,882,000 of Gold; further, "that the basis of Canadian currency is, that the first $50,000,000 must be backed by 25% of Gold. All over this to be backed dollar for dollar in Gold, but that in addition to this, and as a result of war-time legislation, there was also issued $71,000,000 in Dominion notes unsecured by Gold."

In chart form this leaves the position of Dominion notes as follows:—

Issued Notes	Gold Cover	Remarks
$50,000,000	$12,500,000	25% Coverage
50,000,000	50,000,000	100% "
71,000,000	0	No Cover at all
$171,000,000	$62,500,000	36% Cover

This summarization appears to cover the position to the date given, but only as applied to Dominion Government Notes, and makes no provision for a Gold covering for outstanding notes by Canadian banks in addition to this. According to the official publications of the Government

Bureau of Statistics (Annual Book, 1932) the average of Dominion Government notes outstanding in 1931 was $145,251,075, while the average amount of bank notes, independent of this, was $140,461,851. The available data on just what Gold is behind the bank note issues leave the situation somewhat less clear than is desirable. A study of the "Consolidated Position of Chartered Banks of Canada" (10) as of February 29th, 1932, as shown by the "Monthly Returns to Minister of Finance," shows items in "Assets" which include Gold, but does not set out exactly how much of these items is Gold: They are as follows:—

Current Gold and Subsidiary Coin ..	$62,593,953
Deposit for Note Circulation	6,822,186
In Central Gold Reserves	20,081,732
	$89,497,871

Manifestly, the items shown include deposits which are not all Gold (which is the all-important thing in determining "note covering"), so we must proceed along other lines and take the statement made by the Hon. E. N. Rhodes, Minister of Finance, in the House of Commons on March 30th last, in which he stated that the total of Gold held by both Government and Banks was then $118,000,000: Deducting the $61,882,000 which the Premier had stated was the security for the Government notes, this leaves $56,618,000 to support the bank note issues, or 40%. It would also leave the consolidated Government and Bank Gold covering as 38%, or 38 cents for each $1.00 of paper currency in Canada, without any security

behind the silver or subsidiary coinage, as is the case in the United States. About all the consolation we can extract from this is that other nations are in a similar, or worse, position. Possibly no country can boast of a chain of Banks more sound, better managed or so well intrenched in the matter of reserves than Canada, but the security behind the note circulation of both Government and Banks is not all that it should be, as under a Gold system there is no such thing as a sound position unless all outstanding notes and subsidiary coin are fully covered by Gold. The losses to business and to the people through exchange in 1932 alone will be a serious matter; there is about $55,000,000 payable on borrowings alone to the United States in 1932, at heavy exchange discounts, to say nothing of our commercial deals, at from 24% to 10% discount. It seems paradoxical that the two largest Gold-producing countries of the world—Canada and South Africa—should both find themselves with so little of the Magic Metal that actual losses and trade difficulties result from the shortage.

Our basic tables of weights and measures are invariable, and our monetary system should be equally flawless. The ultimate value of a Gold standard depends on its balanced relationship to those securities which it represents, and its potency to discharge without creating disequilibrium the total volume of national business offering, and render fully that service which is required of it, equally for all classes of our people.

On page 153 of The Bureau of Statistics Handbook, Ottawa, it says, "Dominion notes are

legal tender everywhere in Canada except at the offices which the Government maintains for their redemption," and further on, "Practically all Canadian Banks at their beginning have made the issue of bank notes their chief means of earning profits." With ten (10) Banks circulating 140 Millions of paper dollars, assuming that 60% is unsecured by Gold and loaned at 6%, means that $5,000,000 is earned in this way.

Certainly, therefore, we have, like most other countries, drifted into an unsound Gold position. No one would think of loaning money on a 40% security;—the borrower would think himself fortunate if he secured a private loan on a 300% security, or a corporation loan with 200%.

Less than 100% Gold cover is not a covering at all. The very word "Covering" does not apply. One bunch of shingles does not shingle a house, but leaves it exposed to as much deterioration as though nothing had been done to complete it. The only effective Gold standard is one not subject to "statutory requirements" of less than a full cover for the business of the nation. Mr. Bennett's stand, in refusing to consider inflation of the paper in currency, or to desert the Gold standard, is highly commendable. On the other hand it will take some years of careful administration and heavy taxation to balance our national monetary position, so that gold reserves for the amount of currency necessary for our needs will reach the ideal "statutory requirement".

A BILL FOR THE REVALUATION OF GOLD, like that proposed for the larger nations,

at 5 to 1, based on its cost of production (which is the first law of corporate business) would at one stroke give Canada a Gold reserve of 590 Million Dollars, or 300 Million Dollars *more than all* outstanding paper currencies of both Government and Banks, and end this exchange racket overnight —thus saving us millions of dollars—and make a Canadian Gold dollar or a paper dollar of equal value, and worth a dollar in any country of the world.

A new period of prosperity for the Gold producers of Canada could not be thought undesirable. This plan provides for a net return to the mines of $40.00 per ounce for their Gold, instead of the $20.67 paid them at present. Assuming that the present costs are about half of the value of production, this would increase the net earning power of the mines by 3 to 1, as well as to allow of some of those mines having low-grade ore entering the class of dividend payers, and possibly stimulating mining generally to keep pace with a world in which business may progress to greater volume than under our restricted system as now. Another favourable reaction would be that the holders of many mining securities, whose losses in the last slump of 1928-29 are estimated at 500 million dollars, would recover some of their losses.

Notwithstanding the "statutory requirement" which qualifies the present gold standard, it seems that a shortage of gold is already recognized. Hon. H. Stevens, Minister of Trade and Commerce, advised Parliament on February 26th, 1932, that a Gold shortage was coming. He said "that by

1941 we would see an annual world deficiency of 300 million dollars." Quite a large proportion of the proposed 5 to 1 increases created by revaluation and reappraisal will be absorbed in correcting the existing shortage in our system of coverage, and the excess will take care of the coming shortage foreseen. It will also provide for a more liberalized currency system. This is the way out from what will otherwise remain a permanent and precarious monetary condition.

With issuance of paper moneys confined to the Federal Treasury—which has the responsibility of receiving, holding and paying out all Gold transactions, it is obvious that the Government is entitled to a fair return for the work done and the capital tied up in reserves. The *Mail and Empire* reports, on March 3rd, that the Minister of Finance told the House, on March 2nd, that the amount of Dominion notes advanced to the Banks under authority of the Finance Act was then 20 million dollars, at 3%, this being the lowest rate given during 1931. Under this new plan the Banks would obtain all of their notes from the Dominion Government. It would be fair and reasonable that the Government be compensated for the expense of maintaining Gold Reserves and issue of notes by loaning the notes to the Banks at a rate which will represent a return something like "Consols," say 2½%. This would provide expenses and some return on the credit side of the ledger in the budget, of about 3 million dollars, after all expenses, and might relieve the Banks of other forms of taxation.

Of the $100 per ounce—on the new valuation basis—the Government will be a partner in the

gold-mining enterprises to the extent of $60; the mines to receive $40. It would be very necessary to create permanent safeguards to protect the Gold producers against new forms of taxation from all quarters. Based on 1931 production of 55 million dollars, this Government monopoly will net the Federal Government 165 million dollars per year. Definitely earmarked and funded for the discharge of the National Debt, this would completely discharge the existing debt in 15 years. Relative to population, Canada is fortunately placed in this regard, and just why should the Government not be entitled to participate in such an enterprise? It is not competitive; it brings no hardship to any established industry; it is a matter in which the Government is fundamentally interested, and for which it is obliged to accept responsibility in any case. France monopolizes matches, why not Canada Gold? It may sound too good to be true, but would relieve the taxpayer of about one-third of his taxation, redeem the National Debt, and would improve the next Budget by over FOUR HUNDRED AND EIGHTY MILLION DOLLARS on BALANCE.

XX

AN INTERNATIONAL GOLD COINAGE

CONVERSION TABLE AT PAR OF EXCHANGE

	£ S. D.	Dollars	R'marks	Francs	Lira	Belga	Peso oro	Peseta	Florin	Rupee	Crown	Krone	Schilling	Zloty
	Gt. Britain South Africa Australia Irish Free State New Zealand Palestine	U.S.A. Canada Cuba Dominic Rep. Nicar'a Panama	Germany	France	Italy	Belgium Luxembourg	Argentine Paraguay	Spain Albania Latvia Switzerland Venez'a	Netherlands Dutch East Indies	British India Bolivia	Czechoslovakia	Denmark Norway Sweden Estonia	Austria	Poland
£100	100 :	486.66	2,043.02	12,421.30	9,246.74	3,500.12	504.43	2,522.19	1,210.71	1,333.35	16,424.43	1,815.95	3,458.57	4,338 17
100 Dollars	20 : 11 : —	100.00	419.80	2,552.32	1,900.06	719.22	103.65	518.27	248.78	273.98	3,374.96	373 15	710.68	891 42
100 R'marks	4 : 17 : 10	23.82	100.00	607.99	452.61	171.32	24.69	123.46	59.26	65.26	803.95	88.89	169.29	212.35
100 Francs	— : 16 : 1	3 92	16.45	100 00	74 44	28.18	4 06	20.31	9.75	10 73	132.23	14.62	27.84	34.93
100 Lira	1 : 1 : 8	5.26	22.09	134.33	100 00	37.85	5.46	27.28	13.09	14 42	177.62	19.64	37.40	46.92
100 Belgas	2 : 17 : 2	13.90	58.37	354 87	264.18	100.00	14.41	72.06	34.58	38.09	469.25	51 88	98.81	123.94
100 Peso oro	19 : 16 : 6	96.48	405.00	2,462.38	1,833 10	693.87	100.00	500.00	239.95	264.32	3,256.02	360 00	685 64	860.00
100 Pesetas	3 : 19 : 4	19.30	81.00	492.47	366 62	138.77	20.00	100.00	48.00	52.86	651 20	72.00	137.13	172.00
100 Florins	8 : 5 : 2	40.20	168.74	1,025.93	763.75	289.09	41.66	208.32	100.00	110.13	1,356.60	149.99	285.66	358 32
100 Rupees	7 : 10 : —	36.50	153.22	931.57	693.50	262.50	37.83	189.16	90.78	100 00	1,231.83	136.20	259.39	325.36
100 Crowns	— : 12 : 2	2.96	12.44	75.62	56.30	21.31	3.07	15.36	7.37	8.12	100.00	11.06	21.06	26.41
100 Krone	5 : 10 : 2	26.80	112.50	684.00	509.20	192.74	27.78	138.89	66.65	73.42	904.45	100.00	190 45	238.89
100 Schillings	2 : 17 : 10	14.07	59.07	359.14	267.36	101.20	14.59	72.93	35.00	38.55	474.89	52.50	100.00	125.43
100 Zloty	2 : 6 : 1	11.22	47.09	286.32	213.15	80.68	11.63	58.14	27 90	30.74	378.60	41.86	79.72	100.00

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AN INTERNATIONAL GOLD COINAGE

Without international trade any country's development is restricted to what it was in the middle ages. It is the international trade which produces that balance in our internal affairs which we all desire;—it gives us access to the markets for luxuries of foreign produce and of the foreign arts, in which our own people may be less skilled, in exchange for the surplus of goods which are indigenous in our country and in which we excell in production, both in quality and quantity.

Naturally,—and as everyone knows, the foreign trade is the most difficult one, because of difference in languages and standards; the necessity of travel, and the conversion of foreign moneys into our own—and vice versa.

The accompanying conversion table is calculated at par of exchange, and necessarily only covers a few nations; such a table however, is one step towards the simplification of a problem so intricate and baffling that the foreign trade is necessarily restricted to specialists whose training enables them to quote readily in foreign money: If they quote in the currency of their own country the buyer must. of course, calculate the conversion rates into his own currency. The mystery is not so much why foreign trade cannot be made larger, but is rather a question of how it can have grown to

the proportions it has, surrounded by these difficulties.

He would be a bold man who would presume to outline a universal currency of both *national* and *international* character, but it is a very simple matter, and a necessary one, in *establishing an international gold standard,* of universal weight, fineness and value, that *it calls for a gold coin of international character,* to meet these conditions. This will enable the buyer, or the seller, to familiarize himself with *only two standards of money,* viz.:—his own, and the new international gold standard, or the *"Esperanto of currency."* Quotations can be made in this money (which is equivalent to the present American dollar and an even decimal system,) by quoting units or a decimal of units,—the assumption being of course that settlements are made on a gold basis:—and with the gold redistributed and revalued, there is no remaining reason why any nation should not have sufficient gold for the transaction of its international business at a uniform parity of exchange, or at no discount, or premium on exchange, at all.

When one contemplates the national barriers which existed prior to the recent demoralization of our currencies, and then estimates the confusion created by these different moneys, gyrating from week to week (and to an extent which will swallow up a profit, in case of an unfavourable exchange rate at date of settlement), the problem becomes too baffling for many, except for those few experts who are skilled in this class of business.

Any unnecessary complication in the conduct of our business restricts the numbers who can engage in it with any hope of success, and to that extent reduces the expansion of any given country.

Much of the gold in reserve has not been minted into coinage, and much of it is kept in bars; the new international coinage would not greatly disturb this practice, or give rise to any great physical difficulties in its establishment. Whether a single international mint might undertake the recoining of the gold would be a matter for decision by those entrusted with that responsibility; it does seem as though one mint on each continent should be capable of doing the work, and the lesser number of mints in existence the better, so as to reduce the responsibility of the Central Supervising Body.

The name *"Remede"* has been selected for the purpose of giving this new coinage a definite character in this book;—it is shown on the accompanying page, and is of the same weight and fineness as the present United States $20 gold coin;—under the "Revaluation Plan" it is now $100 or R100 (Remedes), but may be of denominations of R10, R20, R50, R100, or more. The name selected may be, and likely will be, much less suitable than some other to be decided upon. Whatever name is adopted, however, should be as international in its character as possible, and it would be desirable that it be associated with the past in some way with which the people of the world are now familiar: It should not be distinctly Monarchist nor Republican. A good plan would be to create public interest in this matter, and let the public decide by

an international contest, with a number of prizes for the best name submitted.

After its adoption, should any nation wish to adjust its internal currencies so as to synchronize with the new decimal coinage, that would be strictly a matter of their own business;—the time seems very opportune at present, inasmuch as their coinage, with a few exceptions, is on no fixed basis in any event. Such a change, during the transition period, would be no more of a hardship than the continuation of present conditions.

XXI

CONCLUSION

CONCLUSION

We started together in the first chapter over an uncharted course. By close observations, and with the aid of proven calculating instruments, we have taken soundings—located hidden and dangerous reefs. The task has not been an easy one, but we have finally charted what appears to be a new and safe course. We have discovered that the nations of the earth have been living an underprivileged existence; each has been tunnelling through the mountains separately, while co-operative action would have built an international highway through what nature intended should be a "land of promise". Now it is overgrown with bitter weeds of discord and misunderstanding—while the fig tree and the rose still remain indigenous to the soil. All our idols have fallen from the mantel and are broken; henceforth we must be guided by understanding, and worship at the shrine of reason.

The time has arrived when a dating can almost be given when all industry, except that connected with the vital necessities of life, will have come to a standstill. The costs of unemployment will then be beyond the capacity of governments to deal with. All that is now needed to rob us of all remaining hope is the failure of the Reparations Conference in June next. Let the people speak up

that we may hear their voices, telling those who go to that Conference "not to come back with empty hands". Now is the time to adopt the strategy of Foch,—he said something like this,—"My left is defeated—my right is wavering—my centre is hard pressed—I shall attack." His was a "strategy of war," let us apply it as a "strategy of peace". By all means let us not banish the luxury of war, but let us transform it to a war against ignorance, poverty and misunderstanding —against all those restrictions which limit our capacity for constructive action and the enhancements of life.

Nearly all of the buying power we have is vested in the worker. If his rewards are to remain so meagre that he is without a surplus after providing the necessaries of life for the oncoming generations, what is to sustain employment and keep the wheels of industry in motion? If, in a rational order, he has a greater reward, he must also assume greater responsibilities toward his family and his home;—more time for education and recreation. Is that not a better way than to admit that production has definitely outrun consumption,—when it is so evident that the unused abundances arise from underconsumption? Reverse this order by a liberalization of the primary instruments of business—"socialization of money and credit," if you like—and another period of invention and applied science will be necessary to provide the people with all of the things they need. Raise the standards of life so that the workers—the people—will have double the comforts they have ever had; remove the threat

of these recurring setbacks to our progress; let the teeming millions of Eastern Europe, Asia and our West awaken in a new society, in which they share as well as labour, and the promise of "Peace on earth and good will toward men" will yet be fulfilled.

This message may fall upon ears not attuned to such vibrations;—it may be frowned upon by those who persist in the belief that we have reached the apex of human development and already have an excess of emancipation for those who live in the grey world. So let it be! Their contribution has been, and will remain to be, to pick life's flowers and quaff its cups:—Their views are known before they speak;—we fear their aid.

And now, to those who see merit in our humble efforts: Throw all your force into the scales—the force of your position, your time, your labour. The victory is yet to be won.

To those in doubt—those who halt with indecision, or entertain fears of things not seen—can you not join us at least to say "Things can be no worse than this"? Possibly you seek for confirmation at some source more sure than our poor intellects: We feel that need as well. Let us go together on a pilgrimage in search of truth: Let us go East—back to where the race was cradled in the distant past. The time is 1900 years ago;—that long ago this very year. Now we are in a place near ancient Judea. We have come upon a little company—out in the open—listening intently to a Young Man of unusual beauty and power, but withal of gentleness, and wisdom not

in keeping with His years. It seems as though He too has come amongst them on a pilgrimage from afar; His mission is nearly over; He speaks in retrospect of His work while with them. We have arrived in time to hear His closing words;—He is speaking to the people, of the people about Him. What He says is this: "I HAVE COME THAT THEY MIGHT HAVE LIFE—AND THAT THEY MIGHT HAVE IT MORE ABUNDANTLY," not "less abundantly,"—"MORE ABUNDANTLY."

THE END.